Salcomp

powering the mobile world

Annual Report 2009


powering
the mobile
world

Salcomp's mission is to create the best and most competitive environmentally friendly charging solutions. In addition to the high-quality products, our competitive edges are efficient and flexible global production and active R&D, as well as local service. These strengths we foster and they will enable us to maintain our pioneering position.

Annual Report 2009 contents

Salcomp in brief

- Salcomp develops and manufactures chargers for mobile phones and other electronic devices.
- Salcomp is the market leader in mobile phone chargers with a market share of some 21%.
- The main customers include major mobile phone manufacturers.
- In 2009, the product portfolio was broadened to higher power range power adapters which are suitable for data communications devices, point-of-sales devices and netbooks, among others.
- Salcomp specializes in switch mode chargers that are energy-efficient, fast and small.
- The majority of Salcomp's products is based on OEM solutions, i.e. charger concepts developed in cooperation with the customer.
- In addition, Salcomp has six of its own ODM product platforms: Eagle, Mini, Cosmo, Multiplug, Stratos and Nova.

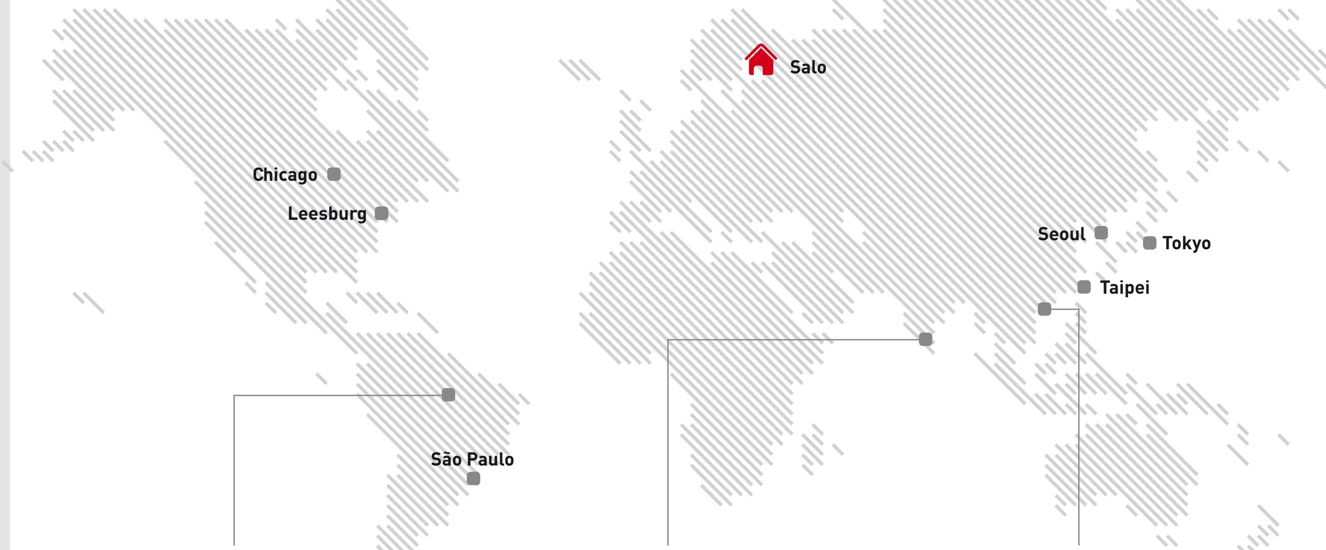
SALCOMP'S STRATEGIC COMPETITIVE EDGES

Customer base, long-term experience and efficiency

- strong customer base
  - the five largest and several other significant mobile phone manufacturers as customers, as well as other leading electronic manufacturers
- long-term experience in the charger business
  - pioneer in R&D and production, due to the very long-term experience in the design and mass production of power adapters
  - the first manufacturer of switch mode quick chargers
- cost-efficiency and flexibility of global operations
  - scaling benefits in production and logistics
  - production plants near customer operations in China, Brazil and India
- environmentally friendly features in products and processes
  - very low stand-by consumption, high energy-efficiency
  - small sizes saving material and transportation costs

SALCOMP'S GLOBAL OPERATIONS

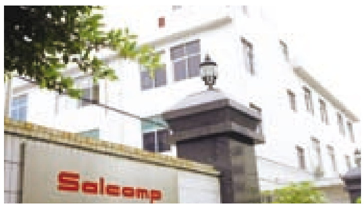
- Salcomp's headquarters are in Salo, Finland, and the production plants are located in China, India and Brazil.
- Salcomp has local offices in Taiwan, Brazil, Japan and the USA.
- At the end of 2009, Salcomp employed 7,900 people: 55% in China, 27% in India, 17% in Brazil, as well as 1% in Finland and in other countries.



MANAUS PLANT, BRAZIL

CHENNAI PLANT, INDIA

SHENZHEN PLANT, CHINA



SALCOMP'S DEVELOPMENT PHASES

1975
Salcomp's Kemijärvi plant is founded

1982
The manufacture of power adapters begins

1983
Salcomp acquired by Nokia

1988
The world's first switch mode quick charger for mobile phones

1995
A strategic decision to focus on mobile phone power supplies

1998
Contract manufacturing begins in China

1999
Spin-off from Nokia and expansion of customer base to all major mobile phone manufacturers

2004
Production transferred to China, production in Kemijärvi ends

2005
A production plant in Brazil

2006
Stock exchange listing

2007
A production plant in India, expanding the customer base outside mobile phone manufacturers, the billion charger milestone exceeded

2008
Extended R&D center at the China plant

2009
Broadening product portfolio to higher power range power adapters, introduction of the 15 watt Nova product platform, local offices in Taiwan, Japan and the USA

Salcomp – over 30 years as pioneer in power adapters

2009 in brief

BUSINESS DEVELOPMENT

- The mobile phone market, essential for Salcomp's business, decreased by 6% in 2009 compared with 2008.
- The number of chargers delivered by Salcomp decreased by some 10% and net sales by some 16% compared with 2008.
- Salcomp succeeded in maintaining profitability at a satisfactory level despite the very challenging market situation. Operating profit weakened by 16% at the year level compared with 2008. Operating profit accounted for 4.3% of sales, which is the same as last year.
- Market position remained good and market share in mobile phone chargers was some 21%.

KEY EVENTS

- Due to the financial crisis, operations were adjusted to meet the weaker demand for mobile phone chargers by reducing working shifts, temporary salary cuts, lay-offs and by decreasing personnel through dismissals. In addition, cutting other fixed costs was paid special attention to.
- Salcomp introduced a new Stratos charger platform, and chargers produced according to this platform are very small USB chargers.
- In addition, Salcomp introduced the Nova platform which broadens Salcomp's product range to power adapters of higher power level. This is a significant strategic step in broadening the product range outside low power range products, mainly mobile phone chargers.
- Salcomp improved its liquidity by renewing the Group's financing arrangements in June. The new financing consists of a EUR 20 million bank loan and a new EUR 7 million capital loan.
- During October, Salcomp opened offices in Taiwan and Japan, as well as a new sales office in the USA in December. These countries are strategically important for Salcomp as several interesting mobile phone manufacturers and other information technology and electronic companies operate in these countries, and Salcomp can offer its versatile power adapter and charger range to them.

All Salcomp's releases are available on the company's web page at www.salcomp.com

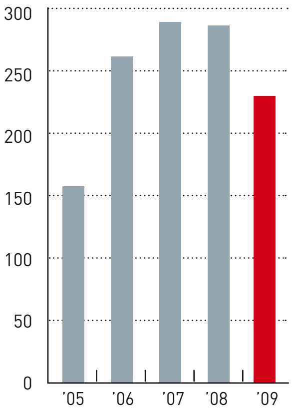
SALCOMP GROUP'S KEY FIGURES

	2009	2008	Change, %
Net sales, EUR million	**239.5**	283.3	–16
Delivered chargers, million pcs	**243.3**	271.2	–10
Operating profit, EUR million	**10.2**	12.1	–16
% of net sales	**4.3**	4.3	
Earnings per share, EUR*	**0.20**	0.10	+100
Cash flow from operating activities, EUR million**	**4.2**	39.2	–89
Personnel at the end of the year	**7,900**	7,025	+13
Market value, EUR million	**76.0**	74.1	+3
Equity ratio, %	**44.9**	35.6	
Gearing, %	**0.3**	5.7	

* Excluding the deferred tax ** Excluding change in the sales of receivables

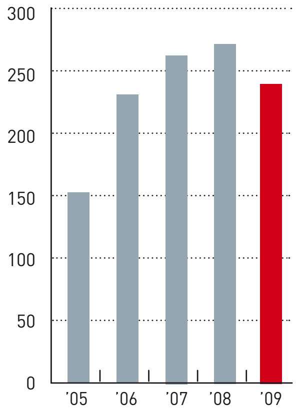
NET SALES

EUR million



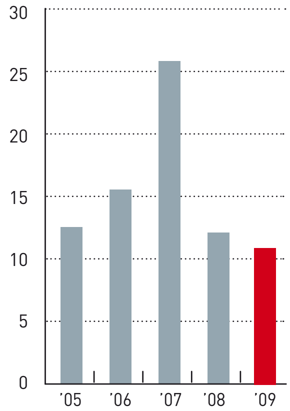
DELIVERED CHARGERS

Million pcs



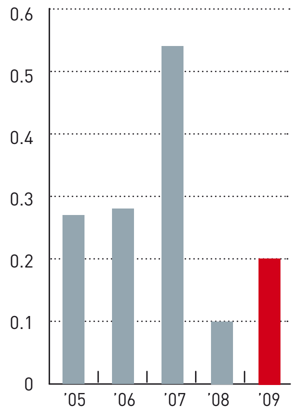
OPERATING PROFIT

EUR million



EARNINGS PER SHARE, EPS*

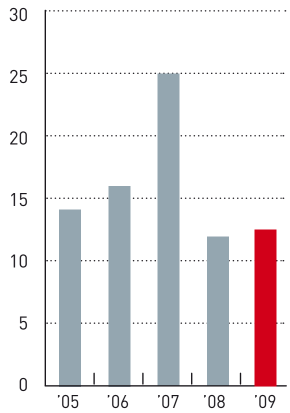
EUR



* Excluding the deferred tax

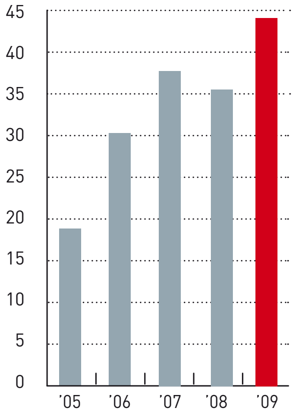
RETURN ON CAPITAL EMPLOYED

%



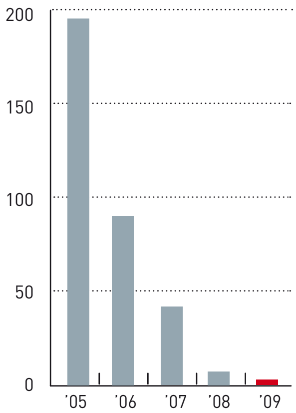
EQUITY RATIO

%



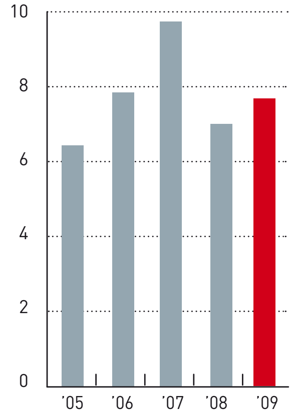
GEARING

%



PERSONNEL DECEMBER 31

1,000 persons



”Stabilizing growth in the mobile phone market and significant variations in market shares of different mobile phone manufacturers make it increasingly more essential for us to broaden the customer base and product range.”

CEO'S REVIEW

Satisfactory year in a difficult market situation

The effects of the global financial recession which started in the autumn of 2008 were concretized at the beginning of 2009. The first quarter of the year was especially very challenging in the mobile phone charger business due to the mobile phone market decreasing by some 12%. During the second half of the year, the demand started to slowly recover. In the last quarter, the number of sold mobile phones and, therefore, also mobile phone chargers, already increased by 8% compared with the same period last year.

PROFITABILITY AT A SATISFACTORY LEVEL

The market development could be clearly seen also in Salcomp's business: the number of chargers delivered decreased by 10% at the year level. Furthermore, the average sales prices of chargers declined due to the tightening competition and production overcapacity in the shrinking market. This, together with the smaller number of sold chargers, decreased our net sales by some 16%.

At the beginning of the year, we focused on our core business, mobile phone chargers, and reacted quickly to the change in the market situation by adjusting our production to meet the lower demand and by cutting fixed costs. Regardless of the drop in net sales, we succeeded in gaining an operating margin of 4.3% which can be considered at least a satisfactory achievement in a difficult market situation. In 2008, the operating profit also accounted for 4.3% of the net sales.

MOBILE PHONE MARKET RETURNING TO THE GROWTH TRACK

The mobile phone market, as well as the mobile phone charger market, is estimated to get back on the growth track from 2010, although the growth is expected to be slower than on average during 2001–2008. According to research institutes and our own estimates, the mobile phone market is expected to grow to some 1.2 billion mobile phones in 2010. In 2009, some 1.1 billion mobile phones were sold.

The standardization of charger technologies based on various USB solutions, a topical issue for several years already, proceeded during 2009. However, according to our own estimates, the standardization has only minor impacts on the development of the mobile phone charger market in the short run. Our estimate is based on the fact that the standardization still includes many open issues. When the standards someday come into force in different geographical areas, it is going to take several years until chargers complying with the new requirements are globally available for mobile phone users.

TWO-FOLD DEVELOPMENT IN REALIZING STRATEGIC GROWTH TARGETS IN 2009

Due to the changes caused by the financial crisis, we emphasized, in the beginning of the year, on maintaining the profitability of our core business, mobile phone chargers. Achieving add-on growth from new mobile phone customers, product groups outside the mobile phone charger segment and accessory charger market, was initiated only during the second half of the year.

Our strategic steps in 2009 were the new Stratos and Nova product platforms, as well as opening offices in Taiwan, Japan and in the USA. Strengthening the geographical presence and new charger platforms create a good start for broadening the customer base, and I truly believe that good results from new customers will already be seen during 2010.

GROWTH FROM A BROADER CUSTOMER BASE AND PRODUCT RANGE

Changes in the market development indicated to us, even clearer than before, that stabilizing growth in the mobile phone market and, at the same time, significant variations in market shares of different mobile phone manufacturers make it increasingly more essential for us to broaden the customer base and product range.

We previously stated that there are several promising operators among the top 15 mobile phone manufacturers who not yet are our customers but who have good growth prospects and prerequisites to utilize the technology, high quality, operational flexibility and world-class distribution model which Salcomp can offer.

In addition, we believe that the on-going standardization of the charger technologies creates good possibilities for us to boost the accessory charger sales targeted for mobile phones in alternative distribution channels. The accessory charger market is a significant untapped area for us, especially in the industrialized countries.

Our core competence and long-term experience in the power adapter technology and production processes support the broadening to higher power range products. Salcomp is interested in modems and routers, point-of-sales devices, navigators, digital photo frames and cameras, as well as video cameras, among others. Modems, routers and point-of-sales devices will especially experience strong growth.

IMPORTANCE OF ENVIRONMENTAL FRIENDLINESS AND EFFICIENCY WILL INCREASE

Environmental friendliness has in the last years become an increasingly prominent factor in the development and manufacture of chargers. Our aim is to develop chargers with even greater energy-efficiency and lower stand-by power. We also pay particular attention to the size of chargers, as reducing size also reduces transportation costs and the amount of raw materials needed in the manufacturing process.

Customers' demands for cost-efficient, large-scale production and global logistics services have further increased and especially favor major players such as Salcomp.

THANKS

The year 2009 has shown us that due to our flexibility and agility, we can also meet challenges caused by sudden market changes. I would like to thank all Salcomp employees who have shown special commitment and genuine willingness to cope with even difficult situations. I would also like to thank our customers, material suppliers, shareholders and other stakeholders for the cooperation during the year. This is a solid base to continue further.

Markku Hangasjärvi
President and CEO

Vision and strategic targets

Salcomp's vision is to further strengthen its global leadership in mobile phone charging solutions and establish a strong position in other selected charger segments, as well as achieve add-on growth from accessory charger markets. The most important strategic targets are to ensure growth and operational efficiency.

The year 2009 was two-fold in realizing the strategic growth targets. At the beginning of the year, Salcomp focused on developing and stabilizing its core business, mobile phone chargers, due to the global financial crisis decreasing Salcomp's main market and tightening the financial situation. Achieving add-on growth from new mobile phone manufacturers and product groups outside the mobile phone charger segment, as well as from the accessory charger market started with stronger actions only during the second half of the year.

The importance of the other strategic focus area, improving operational efficiency, became concrete due to the drop in demand caused by the financial crisis and overcapacity in charger production. Competition tightened further and pressure to lower prices in mobile phone components, such as chargers, grew. However, thanks to efficiency and flexibility of operations, Salcomp succeeded in maintaining profitability at a satisfactory level in 2009.

STRATEGIC STEPS IN 2009

- Key personnel resources and presence in the most important geographical areas were strengthened in order to achieve growth
  - New offices in Taiwan, Japan and the USA
- The world's smallest USB-compatible Stratos charger platform was introduced which creates new possibilities to sell, in addition to customer-specific chargers, accessory chargers to alternative distribution channels
- Nova power adapter was introduced, broadening Salcomp's product range to more powerful power adapters
- Operations were rationalized by
  - Improving productivity and inventory turnover
  - Broadening supplier base
  - Intensifying internal processes
  - Maintaining tight fixed cost management
- Energy-efficiency of the new charger platforms were improved, and stand-by power was decreased by R&D

VISION

- To become global No. 1 in low-to-medium power range adapters and chargers
  - To strengthen the global leadership in mobile phone charging solutions
  - To establish a strong position in other selected low-to-medium power range charging solutions
  - To achieve add-on growth from accessory charger markets

MISSION

- To provide the best and most competitive environmentally friendly charging solutions

STRATEGIC FOCUS AREAS IN 2010–2012

Achieve growth

- **Strengthening our No 1. position in mobile phone chargers by focusing on all top 15 mobile phone manufacturers**
  - broadening the customer base is essential as the growth of the mobile phone market is stabilizing
  - top 15 includes several promising mobile phone manufacturers with good growth prospects and possibilities to utilize Salcomp's global distribution model
  - especially smart phone manufacturers have strengthened their position in the mobile phone market
- **Achieving add-on growth from other selected power adapter and charger segments (6–50 W)**
  - prominent growth prospects in point-of-sales devices, netbooks, data communications devices, as well as digital cameras and video cameras, portable game consoles and e-book readers
  - Salcomp's core competence in power adapters and production processes supports broadening to higher power range
- **Developing alternative sales channels for accessory chargers**
  - accessory charger market is a significant, untapped area for Salcomp, especially in industrialized countries
  - standardization of the mobile phone charger technology may further increase accessory charger sales

Improving our operational efficiency by

- **Capitalizing on the global operations**
  - global presence and three separate plants enable efficient volume allocation
- **Increasing productivity through automation**
  - level of automation can be optimized considering costs and availability of labor force
- **Decreasing material costs by further developing our supplier base**
  - form and depth of cooperation with material and component suppliers can be optimized and local supplier networks are utilized
- **Decreasing net working capital by improving material inventory turnover**
  - efficient production planning and management, as well as development of supplier base, enable more streamlined material stream process
- **Maintaining tight management of fixed costs**
  - global presence enables Group-level support functions to be located in the most efficient country

Environmental friendliness is also very important in charger development and manufacturing. Salcomp's target is to develop more energy-efficient and lower stand-by power chargers. In addition, the target is to minimize charger size and thus reducing transportation costs and amount of materials needed in production.

VALUES GUIDE SALCOMP'S EMPLOYEES

Values guide our daily operations and relationships with our customers and other co-operation partners.

Customer satisfaction

- Customer satisfaction is the basis of all our operations.
- We aim to fulfill the current and future needs of our customers and take into account their expectations in all our operations.

Respect and responsibility

- We respect human rights and generally accepted ethical principles, and we take responsibility for our products and operations, as well as the environment.
- We value our customers, colleagues and other co-operation partners and treat each and everyone equally.

Continuous learning

- We constantly develop our operations and working methods and we remain open to feedback, and we encourage individual and progressive thinking.
- We identify any needs for change and development, reacting promptly to such needs.
- We also accept mistakes and aim to learn from them.

Achievement

- Company's profitability is the basis for continued operations.
- We aim to increase company value through successful and profitable operations and by complying with good business practice.

business

"World's smallest, energy-efficient chargers offer big possibilities in the market."

Juha Raussi
Corporate Vice President, R&D

Business

Mobile telephone chargers are the base of Salcomp's business operations, and in this segment Salcomp is the market leader. Business will also broaden into other selected electronic device charger segments. The strengths are the superior efficiency and flexibility in global production and logistics, as well as charger technology leadership in product development and innovation.

Business environment

In addition to the mobile phone charger market, Salcomp has a strong position in the combined market of all various chargers: in this market, Salcomp is among the five largest players. Other big power supply manufacturers are the Taiwanese Lite-On Technology and Delta Electronics, Emerson from the USA and the Singapore-based Flextronics.

The total market of all various chargers decreased by some 10% in 2009, and it is estimated to grow moderately in 2010. The market is fairly fragmented and contains many small operators. The market consolidation halted in 2009 due to the global financial crisis, but it is expected to continue in the future.

THE VOLUME OF THE MOBILE PHONE MARKET DECREASED BY 6% IN 2009

The most essential aspect for Salcomp's business is the development in the mobile phone market. The size of the mobile phone charger market, calculated by the number of units sold, depends on global mobile phone deliveries, as the charger is mainly a part of the mobile phone package sold to the end customer. The same situation will also continue in the medium term. In the long run, however, it is possible that a significant share of mobile phones will be sold without a charger.

The mobile phone market has continuously grown since 2001 until the first half of 2008. The global financial crisis, which initiated in the second half of 2008, decreased consumer spending and had a significant impact on the development of the mobile phone market. The decline in the mobile phone market continued in the first half of the year by some 12%. In the second half of the year, the development in the mobile phone market was flat compared with the same period in the previous year due to recovering consumer spending.

The overall decline in the mobile phone market was approximately 6% in 2009. Some 1.14 billion mobile phones, and accordingly mobile phone chargers, were sold.

Mobile phone market will get back on the growth track in 2010

The mobile phone market, as well as the mobile phone charger market, is estimated to get back on the growth track, although the growth is expected to be slower than on average during 2001–2008. According to research institutes' estimates, the mobile phone market is expected to grow slightly to some 1.2 billion mobile phones in 2010. The standardization of the charger technologies is estimated to have only a minor impact on the number of chargers sold in 2010.

Market share of the top 5 mobile phone manufacturers slightly under 80%

Manufacturing of mobile phones is highly concentrated within the top 5 companies: Nokia, Samsung, LG, Sony Ericsson and Motorola. In addition, there are other strong companies especially in the smart phone market, such as Apple, RIM and HTC.

The combined market share of the top 5 mobile telephone manufacturers has decreased since 2006, whereas the smaller manufacturers have managed to find a footing in the growing market. Tougher competition and global recession have lately made the position of some manufacturers more difficult, and this has intensified the competition behind the three leading manufacturers, Nokia, Samsung and LG. However, the combined market share of the top 5 manufacturers is still stable at a little under 80%.

Salcomp is the market leader in mobile phone chargers

In 2009, Salcomp's market share was approximately 21%, compared to 22% in the previous year. These estimates are based on the number of chargers delivered and various companies' and research institutes' assessment of the number of sold phones by mobile phone manufacturers.

According to its own estimates, Salcomp is the global market leader in the mobile phone charger market, and the target is to further strengthen the leading position.

Recession further tightened competition

Due to the decline in the market size and production overcapacity, the competition further tightened in the mobile phone charger market in 2009. Some companies with smaller net sales withdrew from the market, but simultaneously some of the companies established and improved their positions.

In addition to Salcomp, the main manufacturers in the mobile phone charger market are the Singapore-based Flextronics and the Chinese company BYD. In 2009, the combined market share of the top 3 mobile phone charger manufacturers was over 50%.

Customers' demands for very cost-efficient, large-scale production and global logistics services especially favor major players such as Salcomp, as well as the tightening competition. In order to be able to serve the customers globally and flexibly, the charger production has to be near the customers' production plants. So far, Salcomp and Flextronics are the only major charger manufacturers who have their own production in China, India and Brazil.

Mobile phone charger prices are declining

In 2009, the average sales prices of chargers in euros decreased slightly, particularly due to technological development and the reduced number of components required, as well as lower component costs. In addition, decline in the market size tightened the competition, and this caused pressure to lower the prices of mobile phone components, also charger prices.

On the other hand, more expensive technical solutions due to the charger technology standardization and tightening environmental requirements, especially the energy-efficiency demands, will lead to more expensive material and component solutions. This may slow the decreasing trend in average sales prices in the future.

Material costs usually account for approximately 70% to 80% of the total cost of each charger.

OTHER CHARGER MARKETS DEVELOP STEADILY

Salcomp also manufactures chargers for cordless fixed-line telephones, Bluetooth headsets and other data communications devices, such as navigators.

The cordless fixed-line phone market is headed by a few major players, such as Panasonic, VTech and Gigaset. The market for cordless fixed-line phone chargers is growing at a very moderate pace. However, the transfer from linear technology to more energy-efficient switch mode technology is generating some growth. In addition to Salcomp, the main players in the cordless fixed-line phone charger market are Flextronics, Leader, Ten Pao and Salom.

In addition to major mobile phone manufacturers, owners of proprietary brands of wireless Bluetooth headsets also include Plantronics and GN, among others. In 2009, the wireless Bluetooth headset market clearly decreased, but in 2010, moderate growth is estimated. Realizing the investments postponed due to the recession, new technologies, a decrease in prices and new electronic devices with Bluetooth abilities will bring forth growth.

In the Bluetooth headset charger market, Salcomp's main competitors include Flextronics, Sunstrong and Friwo Power Solutions. Salcomp's good market position in the cordless fixed-line phone and Bluetooth headset charger markets is based on vast experience and knowledge of mobile phone chargers, as well as its own tailored product platforms.

Salcomp is also interested in products which require higher power range power adapters, such as modems and routers, point-of-sales devices, media players, digital cameras, as well as video cameras. Modems and routers and point-of-sales devices are going to especially experience strong growth.

STANDARDIZATION OF CHARGER TECHNOLOGIES PROCEEDED

The standardization of charger technologies, a topical issue for several years already, proceeded to some extent during 2009. The international mobile operators' organisation, GSMA, together with the mobile operators and manufacturers announced in February 2009 that together they had committed to developing a common standard for mobile chargers and cables based on USB charger technology together with the OMTP (Open Mobile Terminal Platform). The goal is that the connector in the charger cable would be based on a micro-USB connector instead of separate, manufacturer-specific connectors.

In addition to this, in June the DIGITALEUROPE organisation agreed with the European Commission on promoting a charging standard based on USB charger technology. In June, the European Commission authorized the CENELEC standardizing community to define the technical details of the common charging standard. The work begins in March 2010. In the first stage the standard is expected to cover all mobile phones with data connections. The goal is to connect the charger to the mobile with a micro USB connector. The UN International Telecommunications Union also announced in October that it supports the common charging standard.

From July 2007, new mobile phones sold in the Chinese market have had to support a USB charger instead of manufacturer-specific applications. The charger has no fixed cable; instead, it has a USB connection, with the corresponding separate charging cable to be found in the mobile phone package together with the USB charger. In China, charger cable connectors are mobile phone manufacturer-specific, but the connector has to be chosen from four different alternatives.

The universal charger standard is estimated to have noticeable impacts on the development of the number of the sold mobile phone chargers only from 2012 onwards. According to Salcomp's estimate, no more than 10% of the mobile phones may be sold without a charger. The universal charger standard will have the initial impact probably on the high-end and replacement phones, as it is possible that the charger will be left out from these phone kits earlier than from the kits of low-end and first-time-purchased phones. On the other hand, the sales of the accessory chargers are estimated to grow, because part of the excluded chargers will be replaced by accessory chargers. In addition, the new charging standard enables the ability to offer more versatile charging solutions to a broader consumer group.

Products

The majority, some 98%, of products manufactured by Salcomp are mobile phone chargers. Salcomp's focus is on chargers based on the more advanced switch mode technology.

Salcomp's products can be divided into two groups: OEM products, i.e. tailored charger concepts determined by customers, and ODM products, i.e. charger concepts based on Salcomp's own product platforms.

OEM products

OEM (Original Equipment Manufacturer) products are chargers tailored specifically to customer needs. They are normally manufactured in large volumes and developed in cooperation with the customer. The majority of Salcomp's production is based on OEM solutions.

ODM products

ODM (Original Design Manufacturer) product platforms are specified and developed by Salcomp. They are technologically flexible and safety-approved chargers. The ODM product platform chargers are sold as such to device manufacturers and as accessory chargers. In addition to this, the ODM product platform provides the possibility to tailor charger product families to the special needs of customers.

ODM products are cost efficient and enable fast access to the market for customers' own products. Salcomp has developed its own switch mode charger range, comprising six different product platforms: Eagle, Mini, Cosmo, Multiplug, Stratos and Nova. The Cosmo and Stratos product platforms are based on the USB charger standard. The goal in the future is to bring new product platforms to the market at an increased pace.

PRODUCT PLATFORMS

Eagle

- Output power 4 W/6 W
- Suitable for mobile phones and other electronic devices, among others
- Energy rating ****

Multiplug

- Output power 5 W
- Mains plugs interchangeable without tools
- Suitable for mobile phones and other electronic devices, among others
- Energy rating ***

Mini

- Output power 4 W
- Suitable for mobile phones and other electronic devices, among others
- Energy rating ****

Stratos

- Output power 3.5 W
- Suitable for mobile phones, media players and other electronic devices
- Energy rating ****

Cosmo

- Output power 5 W
- Suitable for mobile phones and other electronic devices, among others
- Energy rating ****

Nova

- Output power 9 W/12 W/15 W/18 W
- Suitable for modems, routers, point-of-sales devices and netbooks, among others

More information about Salcomp's product platforms on **www.salcomp.com** > Products

R&D RESOURCES

At the end of 2009, Salcomp's R&D function comprised approximately 160 people. Research and development costs were EUR 5.3 million, or 2.2% of net sales. Salcomp spends most of its R&D resources on charger products and technologies related to mobile phones. However, the company also dedicates resources to other selected charger segments.

Salo, Finland

- Some 25 people
- Focus on research – developing new technology platforms and ODM charger platforms, as well as finding new, environmentally friendly and cost-effective charging technologies

Shenzhen, China

- Some 130 people
- Focus on OEM charger development, as well as optimization for mass production

Chennai, India and Manaus, Brazil

- A total of 7 people
- Focus on product ramp ups and product life-cycle management

Taipei, Taiwan

- R&D will start during the first half of 2010
- Focus on developing OEM and ODM charger platforms

Research and development

The Salcomp R&D is focused on improving the cost and energy-efficiency of chargers, on the challenges created by charger technology standardizing and on reducing the size of the chargers. Salcomp is also looking into future power adapters and other alternative solutions.

LONG-TERM EXPERIENCE AND EXTENSIVE COMPETENCE IN CUSTOMER PROJECTS

Salcomp's main customers usually require highly tailored products to meet their own special requirements. For Salcomp, one of its most important success factors are its expertise and vast experience in demanding product development projects carried out in cooperation with the customers.

The specifications of a new OEM charger are usually developed in cooperation with a single charger manufacturer, after which this manufacturer is the first to start mass deliveries. The specifications of a new OEM charger will also be submitted to the competitors of the supplier responsible for the design, and they will aim to develop their own solutions to produce a charger with the required specifications. This will ensure that each new charger will be produced by more than one supplier who will be competing mainly on the basis of quality, delivery assurance and pricing.

ENERGY-EFFICIENCY OF CHARGERS WAS IMPROVED IN 2009

The special areas of focus for R&D in 2009 were improving the energy-efficiency of chargers and lowering the stand-by power consumption, as customers as well as the authorities favor chargers that use less energy than before. In addition to this, the goal was to develop more efficient and smaller chargers to respond to the demand set by phones with versatile functions that use energy and require more efficient and faster chargers.

The goals were reached and, by way of example, the stand-by power consumption of chargers manufactured on the Stratos product platform, introduced by Salcomp in the spring, is less than 0.15 watts. Their energy rating is four stars on a scale of five.

Salcomp's chargers also have the right to use the international ENERGY STAR energy-efficiency labeling, and Salcomp is also committed to the European CoC Energy-Efficiency Standard.

In addition, Salcomp developed and introduced the Multiplug product platform in which country models are replaced by interchangeable mains plugs. During 2009, the product range was also broadened to higher power range power adapters, e.g. with the 15 watt Nova power adapter.

EMPHASIS ON ENERGY-EFFICIENCY, STANDARDIZATION AND SALCOMP'S OWN PLATFORMS IN 2010

In 2010, emphasis will be further put on energy-efficiency requirements and reducing the stand-by power of chargers near zero.

The on-going development in charger technology standardization creates challenges in R&D. The target is to further lower production costs of very small USB chargers.

In addition to customer projects, the focus is on Salcomp's own product platforms. New products will be introduced to the growing accessory charger market. Furthermore, the product range will broaden by new charger platforms in the medium power range in the 15–50 watt power adapter segment, according to Salcomp's strategy.

Production and logistics

Salcomp's strengths are flexible production resources, the ability to deliver large volumes and services globally and to function seamlessly as a part of customers' logistics systems. Salcomp's business is mainly based on non-binding volume forecasts received from customers. Salcomp mainly supplies its products to customers through consignment stocks maintained by customers or third parties located in various geographical areas. Salcomp manufactures chargers for these consignment stocks on the basis of volume forecasts given by its customers.

EFFICIENT PRODUCTION PLANTS IN BRAZIL, INDIA AND CHINA

Salcomp's production plants are located in Manaus, Brazil, Chennai, India and Shenzhen, China. The total yearly production capacity in the plants is at present some 400 million chargers. Global presence and three separate plants enable efficient volume allocation.

Manaus plant, Brazil

- The number of personnel is approximately 1,300, with an annual capacity of some 50 million chargers at the end of 2009
- Acquired by Salcomp in 2005
- Manufactures chargers for mobile phones, cordless fixed-line phones, Bluetooth headsets and other electronic devices

Chennai plant, India

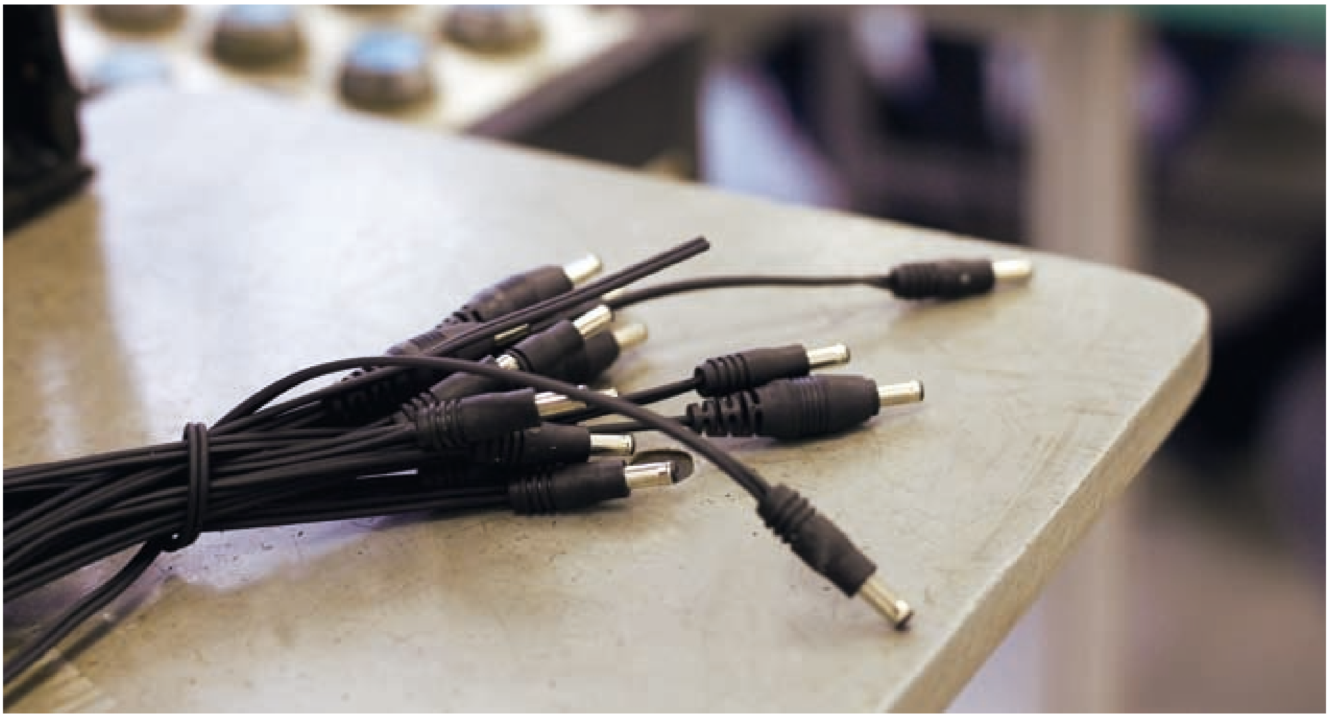
- The number of personnel is approximately 2,200, with an annual capacity of some 100 million chargers at the end of 2009
- Manufactures chargers for mobile phones
- Built by Salcomp, first deliveries in 2007
- The land where the production building stands allows for expansion if required

Shenzhen plant, China

- Salcomp's biggest production plant: the number of personnel is approximately 4,300, with an annual capacity of some 250 million chargers at the end of 2009
- Acquired by Salcomp in 2002
- Highly optimized production system, enabling operations at very small material inventories and low working capital
- Manufactures chargers for mobile phones, cordless fixed-line phones, Bluetooth headsets and other electronic devices
- Still possible to achieve a significant, fast and cost-effective increase in the plant capacity

Risks and risk management

The purpose of Salcomp's risk management is to identify the risks and possibilities that may have an impact on the implementation of Group strategy, and to ensure that the Group's risk-taking activities are in proper equilibrium with its risk-bearing capacity. Salcomp's values, strategic choices and long-term financial goals form the basis of its risk management. The company management is responsible for organizing the risk management process in day-to-day operations.



Salcomp has adopted a holistic approach to risk management. Risk has been defined as any internal or external threat or uncertainty that can prevent or jeopardize operations and the achievement of goals. Risks are categorized as strategic and operative business risks, damage risks and financial risks.

BASED ON STRATEGY APPROVED BY THE BOARD

The Group's Board of Directors approves the risk management strategy, which determines its risk-bearing capacity and risk-taking principles, as well as risk management principles. The risk management strategy also details the company's business risks, risk management functions, responsibilities and organization, risk management processes and risk management control.

MANAGEMENT TAKES CARE OF THE DAY-TO-DAY OPERATIONS

Salcomp's Board oversees the Group's risk management, and Salcomp's management is responsible for organizing and overseeing the risk management process in day-to-day operations, among other things by regularly monitoring the key financial figures and indicators on operations. The management is also responsible for customer relations and risk-taking activities within the limits set out in the company's risk management strategy.

At Salcomp, a separate risk management function has not been established. Instead, risk management has been made an integral aspect of the business processes. Risk management development is primarily based on Salcomp's business requirements. The Group aims to prevent risks by developing processes and personnel skills related to discovering risks and communicating the observations further.

RISKS ARE ANALYZED AS PART OF THE STRATEGY PROCESS

Risks related to the achievement of strategic targets and the implementation of company strategy are studied and analyzed annually as part of the strategic process, and whenever deemed necessary. At the same time, changes that have taken place or are expected to take place within the business environment and the competitive situation are evaluated together with their possible effects on the implementation of the strategy.

Major risks

BUSINESS RISKS

Dependence on the general development of the mobile phone market

Approximately 98% of Salcomp's sales are derived from mobile phone chargers, with sales volumes closely following the number of new mobile phones sold. The mobile phone market trend over the last few years has been favorable, excluding the year 2009 when the changes in the world's economy had a negative impact on consumer spending and, therefore, also on mobile phone demand and Salcomp's business. In 2010, the mobile phone market is expected to get back on the growth track. In order to prepare for demand fluctuations in the mobile phone market, Salcomp further develops the flexibility of its operations, as well as aims to broaden its customer base outside the mobile phone segment.

Competition in the mobile phone market

Competition in the mobile phone market is fierce, and Salcomp's global competitors also include large enterprises, such as the American Emerson and the Singapore-based Flextronics. In addition, it is possible that new companies with greater resources than those of Salcomp may also enter the market. Salcomp's most significant competitive factors include product quality, cost-efficiency, product development, global operations and logistics, as well as flexible operations.

Standardization of charger technology

The standardization of mobile phone chargers, including USB-type chargers which are available either with fixed or separate charging cable, could, in the future, lead to a development where the charger is not always necessarily included in the mobile phone sales package. This could have an impact on Salcomp's current business model. Salcomp already now manufactures several different products based on the USB charger standard. These include Salcomp's own Cosmo and Stratos charger platform products, as well as customer-specific USB chargers. Further information on the standardization of the charger technology can be found on page 12 of the Annual Report.

Dependence on key customers

Salcomp's customer base is concentrated and deterioration in the financial position of a major customer may have a negative impact on Salcomp's sales and profitability. Although Salcomp's biggest customer's share of the Group's net sales is some 40%, a few major customers together account for over 95% of net sales. In addition, Salcomp is relatively small compared to its main customers. However, Salcomp's management believes that Salcomp is well poised to improve its position as a key supplier to its current customers. Switching to a new supplier would result in significant transfer costs to the customer and would take some time because of the need to ramp up the capacity required to replace Salcomp.

Operations in the developing market

Salcomp has production operations in the developing markets of China, Brazil and India. Additional risks are involved when operating in these market areas, possibly causing extra expenses that are difficult to predict, or otherwise weakening the company's financial position. Such risks include changes made by the authorities to the regulations governing operations in the industry, interpretations placed on these regulations, exchange rate variations, unexpected changes to customs or trading regulations, energy availability, possible strikes, as well as political and financial instability.

Raw material and component price development

In the future, there may be an over-demand for some raw materials and components required for mobile phone chargers, or it may be that some materials can only be ordered from a limited number of suppliers. Salcomp aims to limit the risks related to the availability of raw material and components by using at least two different suppliers for each component.

Risks associated with product quality

Salcomp tests all products before delivery and takes special quality control measures. Nevertheless, it is possible that chargers containing faulty components reach the markets and that faults are not detected until the charger has already been used for a while. In this case, the company has an obligation to remove defective chargers from the markets and repair them or, alternatively, replace them with new chargers. Depending on the number of defective chargers, these measures may have a significant impact on the company's financial performance. To manage these quality-related risks, Salcomp invests continuously in the development of design, testing and production processes, and in the component suppliers' process and quality control. Furthermore, special attention is paid to inspecting all incoming components at the production plant.

Dependence on professional management and personnel

Salcomp's success is largely dependent on the skills and contribution of its key personnel. The Group's future success is also dependent on its ability to strengthen the organization through the recruitment of new personnel. In each country, Salcomp aims to be an attractive employer and by various ways encourage a low turnover of personnel.

DAMAGE RISKS

The most significant damage risks are related to production interruptions and other accidents interfering with normal activities, such as fire, vandalism, transport damage and natural disasters such as storms and floods. In order to protect itself against these risks, Salcomp evaluates its production plants and processes in terms of risk management. The Group's insurance policies are reviewed on a regular basis as part of the total risk management procedure. Insurance policies should cover all risks that are financially or otherwise worth covering.

FINANCIAL RISKS

Further information on financial risk management can be found on pages 63–65 of the Annual Report. As for financial risks, currency risks have played a particularly central role in Salcomp's business during recent years. The biggest uncertainties have been related to the development of the USD/Euro exchange rate, as well as to the currencies of the countries in which Salcomp has production activities. Further information on currency risk protection can be found on page 63 of the Annual Report.

Further information on risk management as part of the financial reporting is available on pages 36–37 of the Annual Report.

corporate responsibility

"Salcomp's plant in India provides especially women with work and creates also well-being through corporate social responsibility projects."

Mikko Kaukoranta
General Manager, Salcomp India

Corporate responsibility

For Salcomp, corporate responsibility means observing the principles of sustainable development and the ethics of international competition in its activities. Corporate responsibility is based on Salcomp's way of working and common guidelines, as well as the Code of Conduct concerning the whole company.

Responsible operations at Salcomp are based on compliance with both international and national laws and regulations, as well as respect for international human rights and employees' rights.

Salcomp has Group-wide Code of Conduct guidelines which lay down ethical operating methods and principles that comply with good business practice. The Code of Conduct is available on Salcomp's website at www.salcomp.com.

RESPONSIBLE PARTNERSHIP WITH CUSTOMERS AND PERSONNEL

Salcomp aims to be a reliable and responsible partner with all interest groups.

Customers and customer satisfaction are the basis of all Salcomp operations. Salcomp aims to improve the customer satisfaction by continued development and improvement of company processes and procedures.

SALCOMP'S OPERATIONS ARE GUIDED BY

Inside Salcomp

Hand in Hand cooperation continued in India

In 2008, Salcomp and its biggest shareholder, the Swedish company Nordstjernan, started together with Hand in Hand, a Public Charitable Trust, a corporate social responsibility project in India in the Tamil Nadu state. It is the same state where Salcomp's Indian plant is located.

Vocational training and basic knowledge related to work life are given to over 2,000 people through the cooperation project. In addition, environmental technologies, sanitation equipment and health services are provided to cooperation villages.

In 2009, the focus was on training, as well as collaborating with the cooperation villages on sanitation and renovating public health centers. The vocational training aims to help people employ themselves. For many people in villages this has succeeded very well: they earn their living as mobile phone repairers, maintenance men and beauticians, among others.

Further information www.salcomp.com

Aslam Basha is 20 years old and lives in Walajabad in Tamil Nadu. He works as a mobile phone repairer thanks to the vocational training arranged by Salcomp and the Hand in Hand organization.

The first students graduated at Salcomp University

Continuation studies on the side of work have been possible at Salcomp's Chinese plant since 2007. The study programs under the title Salcomp University are arranged jointly with the South China University of Technology.

Salcomp University is an excellent possibility for the personnel to continue studies which may have been interrupted due to financial reasons or problems with balancing work and studies, among others.

In practice, the courses are arranged on Salcomp's premises and Salcomp managers and supervisors also teach various courses, which makes the study programs particularly fruitful in terms of working-life orientation.

Salcomp has made many efforts to help employees feel at home at the Chinese plant, where many of the workers come from other provinces. These included continuing the basic renovations of the dormitories, and expanding the offering of the personnel library.

The first 20 students graduated in March 2009 at the Salcomp University.

Salcomp employs some 7,900 people world-wide and is a significant local player in its production locations in China, Brazil and India. As an employer, Salcomp recognizes its responsibility for developing social issues. Regular and open cooperation with local authorities and other local communities ensures that both parties benefit from the operations.

Among the personnel, Salcomp aims to increase motivation, skills and commitment to common goals through cooperation and communication.

TIGHT COOPERATION WITH SUPPLIERS

Salcomp is a significant partner for several suppliers. In 2009, Salcomp purchased 15 billion different kinds of components used in charger production, such as raw materials and services. Salcomp aims to use only suppliers who are committed to following ethical operating methods and legislation. This is monitored by visits to suppliers and auditing.

PRODUCT SAFETY IS AN ESSENTIAL PART OF RESPONSIBILITY

Product safety is a significant part of corporate responsibility and one of the most important quality factors for Salcomp. Product safety is ensured at the planning stage, and all products are designed to meet the necessary electrical and product safety standards of their market areas.

Product safety is verified at Salcomp's test laboratories. In addition, Salcomp always uses an approval policy performed by a third party.

Personnel

Professional, motivated and skilled personnel committed to company goals is a significant factor in the success of Salcomp's business. Human resources management is based on the company strategy and targets. In 2009, the financial recession impacted significantly on the number of personnel, and the main focus was on securing the continuity of the most important operations.

At Salcomp, human resources management is based on the Group strategy, targets, human resources policy and performance reviews, as well as interaction at different levels. The objective of human resources management is to create a basis for performance, secure resources and guide activities in order to achieve goals.

Global operations, cultural diversity and the large number of personnel create challenges for Salcomp's human resources management. The purpose within the various cultures is to act according to the Salcomp Spirit and to observe the generally agreed rules, as well as local laws, statutes and current agreements.

The basis for Salcomp's operations is fair treatment for all. Gender, age, beliefs or family policy factors do not disadvantage people with regard to remuneration, incentives, reorganizations, training, recruitment or other factors. These principles are also included in the Code of Conduct, as well as in the human resources policy.

PERFORMANCE REVIEWS AS BASIS FOR SKILLS DEVELOPMENT

The personnel's ability to perform their tasks well is maintained and improved by continuous skill development. An important tool for the development of management and skills is the performance review, organized at least twice a year. The performance review routine concerns all office staff.

In 2009, training activities focused on in-house training. Training sessions primarily addressed supervisory skills, product quality and matters associated with co-operation. The production personnel used 3.3% of the total working hours for training, and correspondingly the office staff used 2.3% of the total working hours for training.

Inside Salcomp

Company values for everyday use

In 2008, Salcomp launched a Group-wide value campaign with the objective of bringing values to everyday use to guide operations and cooperation.

Values have been deployed using very different methods; the most appropriate methods from each culture were selected. Value deployment methods included lectures, group work, various competitions e.g. for best slogans or posters, and plays.

Salcomp personnel have pulled together and been very creative in finding ways of making the meaning and usefulness of values in everyday work clear to everyone. The value campaign is not a project with a definite duration – values continue to define work every day.

Salcomp's company values have been processed in group works and employees have created unique appearance for the symbols of the values.

INCENTIVE SCHEMES FOR THE ENTIRE PERSONNEL

In all personnel groups, employees' salaries are based on the job grading. In 2009, Salcomp paid a total of EUR 36.2 million in salaries and fees.

Salcomp has a salary-based bonus program for the entire personnel and an option program targeted for a somewhat smaller personnel group. The aim of the bonus program is to encourage employees to achieve peak performances by sharing the Group's success with the personnel, and to enhance the commitment of personnel to the established targets. In 2009, the bonus program indicators included the Group's operating profit and cash flow. In addition, various indicators linked to processes, personal targets and projects were used as indicators, as well as local production targets.

The incentive schemes are presented on the company web page and on pages 35–36 of the Annual Report.

OCCUPATIONAL SAFETY AT A GOOD LEVEL

Salcomp is committed to providing its employees with safe working conditions and environments. The number of occupational accidents remained at a low level. A total of 86 occupational accidents took place in 2009 and a total of 125 occupational accidents in 2008. The majority, or 77%, of work-related accidents did not lead to absences from work. There were no fatal occupational accidents.

For the second year in a row, the local authorities of Shenzhen awarded Salcomp's plant for excellent occupational safety maintenance, standardized occupational safety training, organizing of training events and cooperation with local safety authorities.

RECESSION PRUNED ACTIONS IN 2009

In 2009, harmonizing human resources processes, tools and indicators continued, as well as developing Group-level HR reporting.

Actions in 2009 were characterized by the drop in demand due to the global financial recession. Especially during the first quarter of the year, operations were adjusted and costs were cut in all locations by reducing working shifts, temporary salary cuts, lay-offs and by decreasing personnel through dismissals, among others.

Tight cost control continued for the entire year and, for example, skills development was focused on internal training. The amount of training services bought from external service providers was minimized.

In 2009, Salcomp continued to follow through the development topics and corrective actions discovered in the organizational culture survey which was carried out in 2008. In addition, common Group values were processed through Salcomp's value campaign in order to make the values guide the everyday operations and collaboration.

In October, Salcomp opened offices in Taiwan and Japan. The Taiwan office initially employs some 10 persons and the Japan office one person. The offices are responsible for sales to customers located in Taiwan and Japan, as well as technical support and customer service. In December, Salcomp opened a sales office in the USA which employs one person.

EMPHASIS ON HARMONIZED WAYS OF WORKING IN 2010

In 2010, the emphasis will continue to be on harmonizing the global processes, as well as introducing a common data system in human resources management.

In order to strengthen the Salcomp Spirit, harmonized working methods will be developed in a Group-wide program called the Salcomp Way of Working. In addition, the organizational culture survey, which was carried out in 2008 for the first time, will be repeated. The target is to discover how the development topics discovered in the previous survey have been improved and what the new development topics inside the Group are.

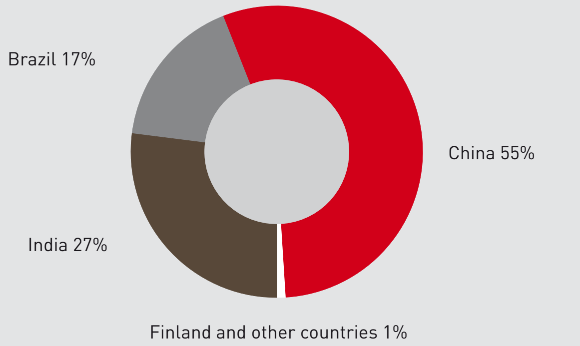
In training, the focus will especially be on management skills and vocational competence. The management training program, initiated in 2008, will be continued.

Focus areas in human resources will also be the commitment of key employees, as well as the management of labor costs and other HR-related costs.

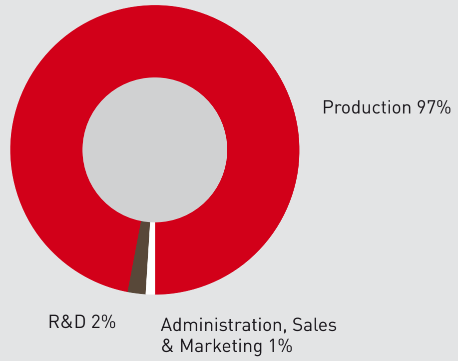
SALCOMP'S PERSONNEL IN 2009

- At the end of 2009, Salcomp employed 7,900 (7,025) people.
- Office staff comprised 14% of the personnel.
- The average age of the personnel was 27 years.

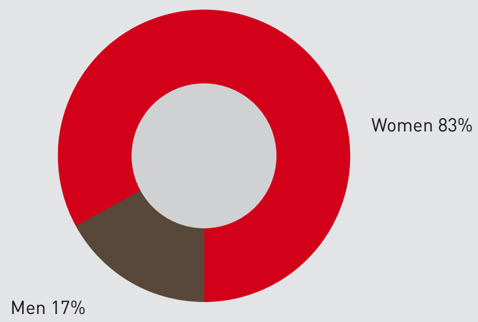
PERSONNEL BY GEOGRAPHICAL AREA



PERSONNEL BY FUNCTION



PERSONNEL BY GENDER



Quality and environment

Salcomp aims to develop both its products and operations to be safe and as high-quality and environmentally friendly as possible. Operations are based on quality and environmental policies. In 2009, the focus was to decrease the carbon footprint and electricity consumption, as well as to improve product quality.

The management of Salcomp's quality and environmental issues is based on the Group's quality and environmental policies, as well as its risk management strategy.

Key principles:

- We maintain an open, active and ethical approach to quality and environmental issues.
- Successful business operations require sustainable quality and environmental activities, which take into account the entire life cycle of a product.
- We are committed to complying with the laws and regulations governing quality and environmental issues.
- We aim to continuously improve our quality and environmental activities by regularly setting new goals according to the principles of sustainable development.
- We also apply our quality and environmental policies and rules to the processes of our subcontractors and suppliers.

Salcomp's products are energy-efficient, and the use of materials is tightly controlled. Quality and environmental thinking has been extended to cover the entire life cycle of the products, also to the product design and development stages.

Salcomp's production processes are efficient and ensure high-quality end products and the lowest possible environmental load per unit produced. Development is monitored on a monthly basis, both at the Group level and locally, through various quality and environment indicators. The most significant quality and environmental considerations relate to customer returns, quality generation ability in production, energy consumption, the use of materials and raw materials, as well as the generation of waste.

ISO CERTIFICATIONS COVER ALL FUNCTIONS

The company's production plants in China, Brazil and India are ISO 9001 and ISO 14001 certified, as are its R&D and sales and marketing globally. Many customers require a stricter application of environmental criteria than the official regulations and ISO standards. Salcomp requires that its material and service suppliers commit to the same philosophy.

Salcomp's chargers are entitled to use the international ENERGY STAR energy-efficiency label, and Salcomp is also committed to the European Code of Conduct on Efficiency of External Power Supplies (CoC) standard.

Salcomp complies in the reporting of greenhouse gas emissions with the levels 1 and 2 of the Greenhouse Gas Protocol. This means that Salcomp reports all directly generated greenhouse gas, as well as the greenhouse gas generated in the production of the electricity, gas and heating purchased by it.

KEY PRIORITY AREAS IN 2009: ELECTRICITY CONSUMPTION AND QUALITY OF PRODUCTS AND OPERATIONS

In 2009, much attention was paid to reducing the electricity consumption at production plants, and to product quality development projects.

The objective of the quality development projects was particularly to improve product quality and thereby to decrease customer risks. Several different projects contributed to the improvement of product quality in Salcomp's manufacturing processes, and these efforts were rewarded with customers' quality awards.

One of the most significant development areas in the quality system was the global roll-out of the quality section of Salcomp's Agile-based project management system. All global product- or process-related reporting and information dissemination now takes place within the system, which improves risk management and seamless product quality development between different business locations.

Key environmental considerations included improving production process efficiency and reducing electricity consumption. One of the most important power-saving measures was the replacement of fluorescent tubes to LED-based lighting system at the Shenzhen plant in China. This is expected to generate electricity savings of some 300,000 kilowatt hours in 2010 at the Shenzhen plant alone.

Other measures also helped reduce the electricity consumption, but at the same time the growth in Salcomp's own component manufacture increased the total electricity consumption in 2009. As a result, the amount of electricity used per one charger remained at the 2008 level.

Other electricity-saving measures, in addition to the fluorescent tube replacement, included issuing more detailed instructions on electricity consumption globally, such as instructions on turning off lights and machinery.

Salcomp's carbon footprint calculated in accordance with the Greenhouse Gas protocol was 83 grams per charger. One of the most significant individual factors contributing to a smaller carbon footprint compared to 2008 was the smaller need for the standby diesel generators at the production plants.

FOCUS ON ELECTRICITY SAVINGS IN 2010

The replacement of fluorescent tubes with energy-saving LED lighting systems at the Chinese plant will continue in 2010, and the project will be extended to cover other Salcomp plants too.

In addition, the efficiency of the diesel generator will be enhanced at the Chinese plant, and the water heating system at the personnel dormitory will be changed from a diesel-powered system to a heat pump system. These measures are expected to save about 120,000 liters of diesel oil after 2010.

Product and operational quality improvement is sought through various development projects and improvements in the quality and environmental systems. Product quality development will be increasingly assessed against the cost savings achieved. A special team is responsible for the improvements in the quality and environmental systems, and its duties will be extended to cover global process auditing.

Inside Salcomp

Salcomp's chargers are based on environmentally friendly switch mode technology

Salcomp is a pioneer in the environmentally friendly switch mode technology, and was the first company to introduce a switch mode quick charger already in the 1980s. Switch mode chargers are smaller, lighter and faster in charging than linear chargers.

Switch mode chargers feature significant environmentally friendly and energy-efficient properties: they consume approximately 60–70% less energy and raw materials than linear chargers. Furthermore, their transportation costs are lower thanks to the smaller size.

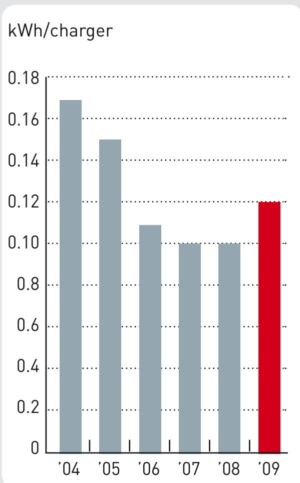
LED lighting systems help reduce electricity consumption at the Chinese plant

In 2009, Salcomp began the replacement of fluorescent tubes with more energy-efficient LED lighting systems at the Shenzhen plant.

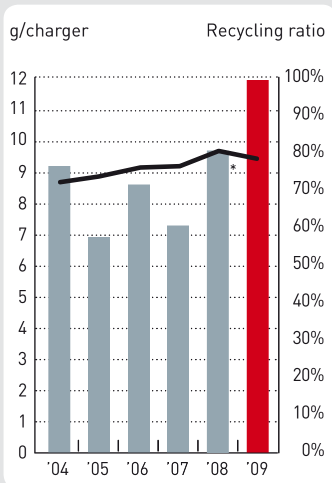
There are about 7,100 fluorescent tubes at the plant, and by the end of 2009 about 3,000 of them had been replaced with 12-watt LEDs. The replacement is estimated to reduce electricity consumption by about 300,000 kilowatt hours in 2010. This is about the same amount of electricity that 15–20 electrically heated single-family houses use in a year.

Electricity consumption can be significantly reduced by replacing fluorescent tubes with LED lighting systems.

ENERGY CONSUMPTION



WASTE



* Change in the measuring method

shares and shareholders

Shares and shareholders

Salcomp's shares are quoted in the NASDAQ OMX in Helsinki. At the end of 2009, Salcomp had 1,104 shareholders, and the foreign ownership accounted for 78.6% of the shares. The Annual General Meeting will be held on 24 March 2010.

SHARE CAPITAL AND SHARES

The company's registered share capital amounts to EUR 9,832,735.12, divided into 38,975,190 fully paid shares. The company has one series of shares, and all the shares entitle to equal rights in the company. The share has no nominal value. The company's shares have been incorporated into the Finnish book-entry system. At the end of 2009, neither the company nor its subsidiaries held any company shares.

TRADING WITH SALCOMP SHARES

During the year, the Salcomp share price fluctuated between EUR 1.15 and EUR 1.99. The average share price was EUR 1.60 and the closing price at the end of the year EUR 1.95.

The total Salcomp share trade was EUR 3.1 million and 1.9 million shares. The market value for the total number of shares at the end of the year was EUR 76.0 million.

OWNERSHIP

At the end of 2009, Salcomp Plc had 1,104 registered shareholders. Foreign ownership accounted for 78.6% of Salcomp's shares: 77.4% held by the Swedish company Nordstjernan AB. Another large ownership group comprised Finnish financial and insurance institutions with a 12.7% holding.

DIVIDEND PRINCIPLES

The Board of Directors has adopted dividend principles whereby the Board intends to propose annually to the General Meeting of Shareholders that no more than one-third of the Group's average long-term result be distributed as dividends, provided that the growth requirements stated in the company strategy are not jeopardized. The amount of future dividend, if any, will be subject to the company's future result, its financial position, cash flow, working capital needs, capital expenditure, terms and conditions of financial agreements and covenants, among other factors.

DIVIDEND DISTRIBUTION PROPOSAL 2009

The Board will propose to the Annual General Meeting of Shareholders that no dividend for 2009 will be distributed.

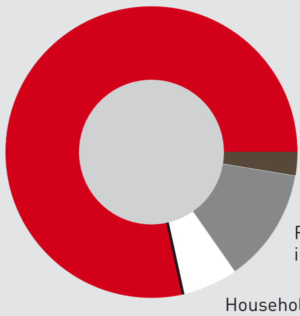
REPAYMENT OF CAPITAL TO SHAREHOLDERS

The Board of Directors will propose to the Annual General Meeting of Shareholders that repayment of capital of a total of EUR 2,728,263.3 and EUR 0.07 per share will be distributed to the shareholders from the Company's invested unrestricted equity. The repayment of capital decided by the Annual General Meeting will be distributed to those shareholders that on the record date, 29 March 2010, are registered in the shareholders' register held by Euroclear Finland Ltd.

BASIC SHARE INFORMATION

- Salcomp's shares are quoted in the NASDAQ OMX in Helsinki in the Industrials sector's Small Cap.
- The ticker is SAL1V and the ISIN code FI0009013924.

OWNERSHIP DISTRIBUTION ON 31 DECEMBER 2009



THE ANNUAL GENERAL MEETING OF SHAREHOLDERS WILL BE HELD ON 24 MARCH 2010 IN HELSINKI.

Further details of the AGM are available on page 81 of the Annual Report and on the Company's webpage.

SHAREHOLDER AGREEMENTS

Salcomp is not aware of any shareholder agreements associated with the company's shareholding and voting rights.

BOARD'S AUTHORIZATIONS

The Annual General Meeting in 2009 authorized the Board of Directors to decide on issuance of no more than 11.8 million shares, of which 3.8 million shares can be own shares held by the Company. Furthermore, the AGM decided to authorize the Board of Directors to repurchase no more than 3.8 million of the Company's own shares using the funds in the Company's invested unrestricted equity. The authorizations are valid until the next Annual General Meeting; however, no longer than until 30 June 2010. The authorizations have not been used.

SHARE-BASED INCENTIVE PROGRAM

In spring 2007, the Annual General Meeting approved the Board's proposal of granting stock options to key personnel of the company, as well as a fully-owned subsidiary of the company, Salcomp Manufacturing Oy. The option rights 2007A, 2007B and 2007C will give the right to subscribe for up to 2,047,500 new shares of Salcomp Plc.

A total of 497,500 stock options 2007A, 545,000 stock options 2007B and 627,500 stock options 2007C were distributed to the Group key personnel at the end of 2009. The rest of the stock options, 160,000 stock options 2007A, 137,500 stock options 2007B and 80,000 stock options 2007C, were granted to Salcomp Manufacturing Oy.

In accordance with the Board resolution, the share settlement period for 2007A will begin on 1 April 2010, for 2007B on 1 April 2011 and for 2007C on 1 April 2012, at the earliest, provided that the total shareholder return of Salcomp Plc (value increase + dividends) has been at least 8% per annum. Dividends distributed annually will be deducted from the share exercise prices.

The terms and conditions of the stock options 2007 are available on the company's homepage at www.salcomp.com – Investors – Share Information. Information on option rights is also provided in the Notes to the Consolidated Financial Statements.

MANAGEMENT SHARE AND OPTION RIGHT HOLDING

On 31 December 2009, the Board members, the President and CEO and the Management Team members of Salcomp held a total of 516,846 Salcomp's shares, i.e. 1.3% of the voting rights. At the end of 2009, the Company Management Team held 190,000 option rights 2007A, 185,000 option rights 2007B and 240,000 option rights 2007C in Salcomp. The Board members do not hold option rights in Salcomp.

The share and option right holdings of the Board and the Management Team at the end of 2009 are available in the Annual Report on pages 38–39 and in the updated information on the company's website at www.salcomp.com – Investors – Insiders.

IR PRINCIPLES

The aim of the Investor Relations at Salcomp is to provide all capital market participants with regular and equal access to correct, sufficient and up-to-date information as a basis for the Salcomp share price.

Salcomp has defined a two-week silent period preceding the publication of its full-year result and Interim Reports. During this period, Salcomp will not meet with capital market representatives.

Salcomp's disclosure policy is available at the Company's website. The disclosure policy describes Salcomp's principles for communicating with the capital markets.

The shareholder register which is updated once a month is available at Salcomp's website.

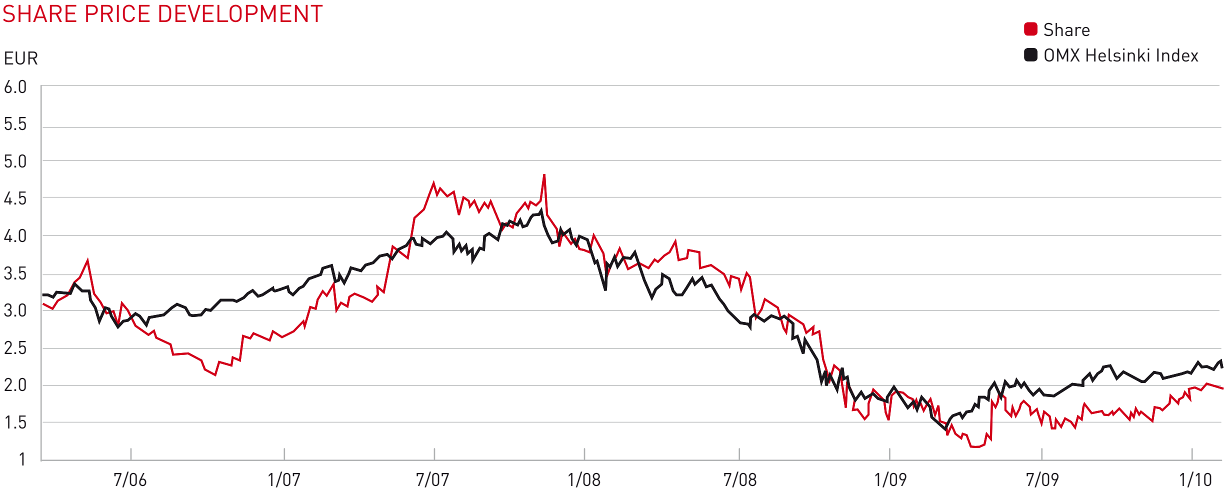
	2007A	2007B	2007C
Settlement period	1 April 2010–31 March 2012	1 April 2011–31 March 2013	1 April 2012–31 March 2014
Share subscription price	The trade volume weighted average quotation of the company share in the NASDAQ OMX in Helsinki during twenty trading days preceding the 2007 Annual General Meeting of Shareholders of the company held on 29 March 2007.	The trade volume weighted average quotation of the company share in the NASDAQ OMX in Helsinki during twenty trading days after the publishing of the company's financial statements for the financial year 2007.	The trade volume weighted average quotation of the company share in the NASDAX OMX in Helsinki during twenty trading days after the publishing of the company's financial statements for the financial year 2008.
Exercise price	2.88	3.40	1.47

SHAREHOLDERS

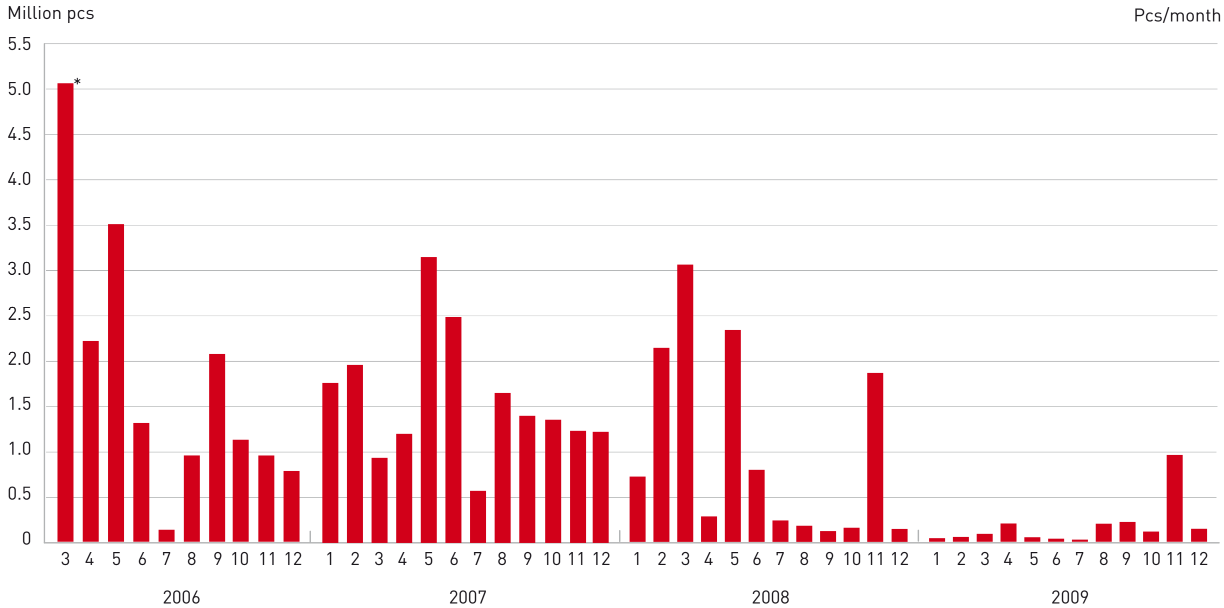
Shareholders by the number of shares 31 December 2009

Shares	Shareholders		Shares	
	Number of	%	Number of	%
1–1,000	761	69.0	339,112	0.9
1,001–5,000	250	22.6	612,035	1.6
5,001–10,000	49	4.4	367,115	0.9
10,001–50,000	32	2.9	720,762	1.8
50,000–	12	1.1	36,936,166	94.8
Total	1,104	100.0	38,975,190	100.0
Of which nominee registered	6		474,528	1.2

SHARE PRICE DEVELOPMENT



SHARE TRADING VOLUME



* Excluding the 11 million shares sold in the initial public offering.

SHAREHOLDERS

The 20 major shareholders according to the 31 December 2009 shareholders' register

Shareholder	Number of shares	Holding, %
1. Nordstjernan AB	30,164,716	77.39
2. Mandatum Life Insurance Company	3,724,000	9.55
3. Kaleva Mutual Insurance Company	1,218,473	3.13
4. Onninen-sijoitus Oy	600,000	1.54
5. Vuorialho Kari	447,286	1.15
6. Toivanen-Koivisto Maarit	75,000	0.19
7. Terentjeff Jorma	74,290	0.19
8. Sijoitusrahasto Garp	71,363	0.18
9. Honkala Kari Untamo	61,500	0.16
10. Mäkikallio Timo	56,000	0.14
11. Onnivaatio Oy	50,000	0.13
12. I.A. von Julins STB	48,000	0.12
13. Oy Teknocalor Ab	46,800	0.12
14. Agsivo Oy	45,695	0.12
15. Kukkonen Markku	42,784	0.11
16. Riikonen Vesa Pekka	40,015	0.10
17. Nieminen Jorma Juhani	35,000	0.09
18. Optiomi Oy	30,600	0.08
19. Kyyriäinen Jukka-Pekka Johannes	29,560	0.08
20. Oja Osmo	28,230	0.07
Nominee registered	474,528	1.22
Others	1,615,350	4.14
Total	38,975,190	100.00

SHARE INDICATORS

	2009	2008	2007	2006
Basic earnings per share, EUR	**0.13**	0.03	0.47	0.20
Diluted earnings per share, EUR	**0.14**	0.03	0.47	
Earnings per share excluding the deferred tax, EUR*	**0.20**	0.10	0.54	0.28
Equity per share, EUR	**1.86**	1.64	1.76	1.36
P/E ratio	**15.0**	63.3	8.4	12.9
Average price, EUR	**1.60**	3.33	3.76	2.88
Highest share price, EUR	**1.99**	4.17	5.03	3.69
Lowest share price, EUR	**1.15**	1.45	2.63	2.13
Share price on 31 December, EUR	**1.95**	1.90	3.92	2.60
Market value 31 December, EUR million	**76.0**	74.1	153.0	101.3
Traded shares, EUR million	**3.1**	40.1	72.1	88.7
Number of shares traded % of total	**1,925,681** **4.9**	12,244,568 31.4	18,985,963 48.7	29,208,378 74.9
Number of shares on average	**38,975,190**	38,975,190	38,975,190	37,808,067
Number of shares at the end of period	**38,975,190**	38,975,190	38,975,190	38,975,190
Diluted number of shares on average	**38,187,925**	38,995,089	39,057,819	

* The deferred tax results from the parent company tax-deductible goodwill amortization.

CALCULATION OF SHARE INDICATORS

Earnings per share

$$\frac{\text{Profit for the period}}{\text{Weighted average number of shares outstanding during the period}}$$

Earnings per share, diluted

$$\frac{\text{Profit for the period}}{\text{Weighted average number of shares outstanding during the period, adjusted for the share issue}}$$

Equity per share

$$\frac{\text{Equity}}{\text{Number of shares outstanding at the end of period}}$$

P/E ratio (price per earnings)

$$\frac{\text{Closing price}}{\text{Earnings per share}}$$

Market value

Closing price x number of shares at the end of period

corporate governance

Corporate governance

Salcomp Plc complies in its decision-making and administration with legislation, other regulations concerning public companies and Salcomp's Articles of Association. In addition, Salcomp complies with the Guidelines for Insiders by the NASDAQ OMX and the Finnish Corporate Governance Code for Listed Companies issued by the Securities Market Association. The Finnish Corporate Governance Code for Listed Companies is available on the website of the Securities Market Association (www.cgfinland.fi).

GROUP STRUCTURE

The parent company of the Group is Salcomp Plc. The Group's subsidiaries are Salcomp Manufacturing Oy, Salcomp (Shenzhen) Co. Ltd, Salcomp Ltda, Salcomp Industrial Eletrônica da Amazônia Ltda, Salcomp USA L.L.C, Salcomp Manufacturing India Pvt Ltd and Salcomp Taiwan Co., Ltd.

GENERAL MEETINGS

The highest decision-making power in Salcomp is exercised by the Company's shareholders at General meetings convened by the Company's Board of Directors. These meetings consist of Annual General Meetings and, if necessary, Extraordinary General Meetings.

The Annual General Meeting must be held by the end of May each year. It handles the matters that fall under its authority according to the Articles of Association as well as other proposals made to the General Meeting. When considered necessary, an Extraordinary General Meeting is convened to handle a specific proposal made to a General Meeting.

Usually, a General Meeting handles the matters placed on the agenda by the Board of Directors. According to the Finnish Companies Act, a shareholder may, however, present a written request to the Company's Board of Directors to place a matter on the agenda of the next General Meeting. If a shareholder, or shareholders, holding a minimum of 10% of all shares, or the Company's auditor, request in writing for the handling of a specified matter at a General Meeting, the Board of Directors shall, without delay, convene the General Meeting to handle the requested matter.

Major matters subject to the decision-making power of a General Meeting include:

- amendments to the Articles of Association
- increases and decreases in the share capital
- decisions of the number, election and remuneration of all Board members of the Company
- the adoption of the financial statements
- the distribution of profit

In 2009, the Annual General Meeting of Salcomp was held on 15 April 2009 in Helsinki.

Advance information

Shareholders are invited to a General Meeting by publishing the notice to convene in two newspapers with nationwide circulation in Finland or by sending registered mail or by delivering the notice to convene otherwise in a verifiable way to the address of the shareholder entered into the share register at least two months prior to the final registration date provided in the convening notice, and at the latest seventeen days prior to the General Meeting of Shareholders. The notice to convene shall state the matters to be handled at the General Meeting.

The notice to convene the 24 March 2010 General Meeting of Shareholders has been published in the Finnish newspapers Helsingin Sanomat and Kauppalehti.

The prospective candidates for the Board of Directors that have been notified to the Board are disclosed in the notice to convene or in another way before the General Meeting, provided they have given their written consent for their election and are supported by at least 10% of the total votes of all the shares of the Company. The candidates proposed after the delivery of the notice to convene are disclosed separately. In addition, the proposal for the election of an external auditor proposed by a majority shareholder or prepared by the Board is disclosed in the notice to convene.

Attendance

A shareholder who has been registered as a shareholder in the register of the shareholders of the Company held by Euroclear Finland Ltd ten days prior to the meeting has the right to participate in a General Meeting. A shareholder wishing to attend the General Meeting must register in advance before the date stated in the notice to convene.

Shareholders may exercise their right at the General Meeting either in person or through an authorized representative. Each shareholder or representative may also have one assistant at the meeting. Minutes are kept at the General Meeting, and the minutes are made available to shareholders within two weeks from the General Meeting. The decisions made by the General Meeting are also published by a stock exchange release after the meeting. The minutes of the General Meeting, including the voting results and the appendices of the minutes that are part of the decisions made by the General Meeting, are published at the Company's website.

Attendance by the members of the Board and the President and CEO

The President and CEO, Chairman of the Board and the members of the Board attend the General Meetings unless there are well-founded reasons for their absence.

A person proposed for the first time as a member of the Board participates in the General meeting that decides on his/her election unless there are well-founded reasons for the absence.

Decision-making

The Company has one series of shares. Each share entitles its holder to one vote at the General Meeting. Generally speaking, resolutions by the General Meeting require the support of a simple majority of the votes cast at the meeting in question. In case of a tie, the Chairman will have the casting vote. In an election, the person receiving the highest number of votes shall be deemed elected. The General Meeting may, however, prior to an election, decide that to be elected, a person shall receive more than half of the votes cast. In an election, a tie will be decided by drawing lots. According to the Finnish Companies Act, however, there are several matters, such as an amendment to the Articles of Association or increase of share capital by deviating from the shareholders' pre-emptive right to subscribe new shares, in which any decision requires the support of 2/3 of the votes cast and of the shares represented at the meeting. The Articles of Association of Salcomp does not include voting limitations or redemption clauses.

BOARD OF DIRECTORS

Composition and term

According to the Articles of Association, Salcomp's Board of Directors consists of at least three and at most eight members. According to the Articles of Association, the term of each Board member expires at the close of the next Annual General Meeting following the election.

The General Meeting elects all members of the Board of Directors. The Articles of Association sets no upper age limit on Board members nor restricts in any other way the decision-making power of the General Meeting in electing Board members. However, the General Meeting shall, in accordance with the Finnish Corporate Governance Code, take into account the fact that the person has the qualifications required to handle the duties of a member of the Board and the possibility to devote sufficient time for the work. The needs of the Company operations, the development stage of the Company and the gender mix of the Board are taken into account in the Board composition.

Board of Directors in 2009

The Annual General Meeting 2009 elected to the Board of Directors: Mats Heiman as the Chairman, Kari Vuorialho as the Vice Chairman, as well as Carl Engström, Jukka Rinnevaara and Andreas Tallberg as members. The term will expire at the close of the next Annual General Meeting 2010. In 2009, the Board also comprised Peter Hofvenstam and Jorma Terentjeff.

The members of the Board are presented on page 38 of the Annual Report and on Salcomp's website.

Duties

The Board of Directors shall devote time and resources to increase the value of the shareholders' holdings in the long run and to look after the interests of the Company and all of its shareholders. More specifically, Salcomp's Board of Directors is responsible for the Company's administration and for the proper arrangement of the operations of the Company. In addition, the Board is responsible for the proper arrangement of the accounting and of the supervision of the financial management.

The duties of the Company's Board of Directors are set forth in the Companies Act and other applicable legislation. The Board has also approved internal rules of procedure. According to the rules of procedure and the Finnish Companies Act, the essential duties of Salcomp's Board of Directors are to:

- decide on the Company's strategy and values
- confirm and follow the business plan and budget
- handle and approve Interim Reports, the Financial Statements and the Report of the Board of Directors
- decide on individual investments, acquisitions or divestments and contingent liabilities that are strategically or financially significant
- approve the financing policy
- confirm risk management and reporting procedures
- decide on the Company's structure and organization
- appoint the President and CEO and decide on his/her remuneration
- decide on bonus and incentive schemes for the management, and
- assume responsibility for all other such duties as have been stipulated for Boards of Directors in the Companies Act and elsewhere.

Decision-making

The Chairman of the Board of Directors is responsible for convening the Board meetings and for the meeting procedure. A meeting of the Board of Directors constitutes a quorum when more than half of the members of the Board of Directors are present. Presence of the Chairman or the deputy Chairman of the Board of Directors is also a condition for the quorum.

The Board of Directors is always obliged to act in the Company's interests and in such a way that its acts or measures are not likely to produce unjustified benefit to any shareholder or other third party. A Board member may not participate in the decision-making when handling a contract between that Board member and the Company. When votes are cast, the majority opinion will be the Board's decision and, in the case of a tie, the Chairman will have the casting vote. In an election, a tie will be decided by drawing lots.

Meeting practice and self-assessment

The Board of Directors has not appointed any special areas of focus in terms of business monitoring for its members. At meetings, matters are presented by Salcomp's President and CEO, or at his request, by another person in Salcomp's management. According to the rules of procedure of the Board of Directors, the President and CEO ensures that the Company provides the Board with sufficient information to assess the operations and financial situation of the Group, supervises the implementation of Board decisions and reports to the Board on any deficiencies or problems in implementation.

The Board of Directors assesses its operations and working procedures regularly and by carrying out a self-assessment once a year.

In 2009, the Board of Directors held 11 meetings, 4 of which were telephone conferences. The Board members' attendance at the meetings amounted to 96.4%.

Committees

Salcomp's Board of Directors has not established any committees as the Board of Directors takes care of the duties related to committee work. The Board of Directors also takes care of the duties of the Audit Committee.

Evaluation of independence

The Board of Directors evaluates the independence of its members of the company and of the company's significant shareholders. The evaluation is made annually at the organizing meeting of the Board of Directors after the General Meeting.

Based on an evaluation, all Board members are independent of the company, and three of the Board members are independent of the company's significant shareholders. Based on the evaluation:

- the following Board members are independent of the company: Mats Heiman, Kari Vuorialho, Carl Engström, Jukka Rinnevaara and Andreas Tallberg
- the following Board members are independent of the company's significant shareholders: Kari Vuorialho, Jukka Rinnevaara and Andreas Tallberg.

MANAGING DIRECTOR

Salcomp has a Managing Director who is called the President and CEO. He is responsible for the day-to-day management of the Company in accordance with the instructions and rules given by the Board of Directors and ensuring that the accounting of the Company complies with the law and that the financial management of the Company has been arranged in a reliable manner.

The President and CEO primarily presents the matters handled in Board meetings and is responsible for preparing draft resolutions. The President and CEO shall not be elected as the Chairman of the Board of Directors. The President and CEO may, when he/she finds it suitable, choose to appoint another member of the Group's Management Team to present a matter at a Board meeting or to prepare a draft proposal.

The Board of Directors elects the President and CEO and decides on the remuneration and on other terms of the President and CEO's contract. The terms of duty of the President and CEO have been agreed on in writing. The President and CEO is elected until further notice.

The notice period, when giving notice on the President and CEO's services, is six months. Upon termination of the President and CEO's service agreement on behalf of the Company and in the absence of a breach of duties by the President and CEO, the President and CEO is also entitled to twelve months' salary.

In 2009, Mr Markku Hangasjärvi, has acted as the President and CEO of Salcomp.

MANAGEMENT TEAM

Salcomp has a Management Team consisting of the President and CEO and heads of the most important Company functions. Composition and areas of responsibility of the Management Team are presented on page 39 of the Annual Report and on the Company's website.

The Management Team is not a separate Company organ, but an advisory body, which assists the President and CEO in the management of the Company.

COMPENSATION

Remuneration of the members of the Board of Directors

The Annual General Meeting decides on the remuneration and compensation for costs to be paid to the members of the Board of Directors.

In accordance with the resolution made at the 2009 Annual General Meeting, the members of the Board for the term of office expiring at the Annual General Meeting 2010 are remunerated as follows:

- EUR 40,000 to the Chairman of the Board
- EUR 32,000 to the Vice Chairman of the Board
- EUR 25,000 to the ordinary members of the Board.

Due to the tight financial situation caused by the global financial crisis, Salcomp's Board of Directors and the Management Team decided to decrease their remuneration for 2009. Due to this, the remuneration for the Chairman of the Board of Directors in 2009 was EUR 37,332, EUR 29,866 for the Vice Chairman and EUR 23,333 for the members. The Board fees totaled EUR 137,197 in 2009. There are no pension benefits or Salcomp's option rights granted in favor of the members of the Board of Directors.

Remuneration of the President and CEO and the Management Team

The Board of Directors decides on the salaries, fees and other benefits of the President and CEO. The Chairman of the Board decides on the salaries, fees and other benefits of the other members of the Management Team.

The salaries, fees and benefits paid by the Company to Markku Hangasjärvi, President and CEO, for the financial year ended on 31 December 2009 totaled EUR 260,299 of which the fixed salary totaled EUR 231,499 and the bonus according to Salcomp's incentive scheme totaled EUR 28,800. The President and CEO is entitled to a car benefit and certain customary benefits, such as healthcare, supplementary healthcare and group pension insurance.

The salaries, fees and benefits to the members of the Management Team in 2009 totaled EUR 957,000.

Markku Hangasjärvi, President and CEO, has 60,000 of Salcomp's option rights 2007A, 2007B and 2007C each. Share and option right holdings of the President and CEO and other Management Team members are available on page 39 of the Annual Report and on the Company's website.

The retirement age of the President and CEO has not been determined in the employment contract and the company is therefore not committed to a lowered retirement age. The retirement age of the other members of the Management Team does not deviate either from that laid down in the Acts on Employment Pension.

In addition to the President and CEO, the other members of the Management Team are entitled to participate in the supplementary group pension insurance determined annually by the Board. The terms and conditions of the group pension insurance for Salcomp's President and CEO and other members of the Management Team include the right to receive a premium-free policy corresponding to the savings accrued until the termination of employment (paid-up policy).

Incentive schemes

Bonus program

The Company has a salary-based bonus program for its Management and other employees. The Board decides on the application of the bonus program.

The maximum remuneration payable on the basis of the bonus program, depending on the person's position, may vary between 5 and 25% for the personnel and between 35 and 60% for the President and CEO and the Management Team members of the person's regular annual salary. The payment of the remuneration in accordance with the bonus program is tied to the meeting of the Group's business targets and targets related to employees' responsibilities. The Group level bonus indicators in 2009 were the Group operating profit and cash flow. In addition, various indicators linked to processes, personal targets and projects were used as indicators, as well as local production targets.

Option program

Salcomp has a stock option program for the key personnel of the Company and its subsidiaries, as part of the incentive and commitment program.

Stock options 2007 entitle their holders to subscribe for a maximum of 2,047,500 new shares in Salcomp Plc. A total of 497,500 stock options 2007A, 545,000 stock options 2007B and 627,500 stock options 2007C were distributed to the Group's key personnel at the end of 2009.

The complete terms of the option program are available on the Company's website. Information on option rights is also provided in the Notes to the Consolidated Financial Statements.

INSIDERS AND INSIDER ADMINISTRATION

The Insider Rules of Salcomp observe the Insider Guidelines of the NASDAQ OMX. Salcomp's Insider Rules are updated and monitored on a regular basis. The Insider Rules were updated in December 2009. They are available on the Company's website.

Pursuant to Salcomp's Insider Rules, the shareholding data of the so-called Public Insiders is in the public domain and accessible either via Euroclear Finland Ltd or via Salcomp's website. Under the Insider Rules, the following persons belong to the Group of Public Insiders: the members of the Board of Directors, the President and CEO, the members of the Management Team and the Responsible Auditor.

The Public Insiders, together with the other key persons designated as permanent insiders of Salcomp, form the Group of so-called Permanent Insiders of Salcomp. Trading by Permanent Insiders in Salcomp's securities or derivatives is always prohibited during the two-week period preceding the Financial Statements Release or of an Interim Report, and on the date of publication itself (the "Closed Window"). In addition, specific trading restrictions apply to project-specific insiders.

AUDITING

The main function of the statutory auditing is to verify that the Financial Statements provide true and sufficient information on the Group's performance and financial position for the financial year. Salcomp's financial year is the calendar year.

The auditor is obliged to audit the correctness of the Company's accounting and closing of accounts for the financial year and to give the General Meeting an auditor's report. In addition, the Finnish law requires that the auditor also monitors the legality of the Company's administration. The auditor gives reports to the Board of Directors at least once a year.

Auditor

According to the Articles of Association, Salcomp has one auditor elected by the Annual General Meeting. The term of an auditor terminates at the close of the Annual General Meeting following the election. The auditor shall be a firm of auditors authorized by the Central Chamber of Commerce.

The 2009 Annual General Meeting of Salcomp elected the Authorized Public Accountants KPMG Oy Ab as the auditor of the company. Mr Pauli Salminen, APA, has been appointed as the responsible auditor.

The auditors are paid on the basis of an approved invoice. In 2009, the compensation for auditing services was EUR 113,000, for tax consulting EUR 42,000 and for other services EUR 136,000.

INTERNAL AUDIT

The Group does not have a separate internal audit function. The need for an internal audit function is annually assessed by the Board of Directors. In countries where arranging internal audit is based on the law, Salcomp utilizes an external service provider.

THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT REGARDING THE FINANCIAL REPORTING PROCESS

The frame of the Group's internal control is based on the international Coso model (Committee of Sponsoring Organizations of the Treadway Commission) which determines the target of the internal control: to give a reasonable assurance on the expediency and efficiency of the operations and reliability of the financial reporting, as well as compliance with laws, regulations and operational instructions. Internal control is carried out by the entire personnel within their tasks and responsibilities.

The Management sets targets for the organization to strive for. From the Group's point of view, the most significant targets are related to the annual strategy and budget processes. It should be noted that internal control does not assess the validity of the set targets, but only to what extent the organization achieves the set targets.

Risk assessment

The goal of the Group's risk management is to support the achievement of the Group's strategic and business targets. The risks which jeopardize the achievement of the targets must be identified and assessed in order to control them. Identifying and assessing the risks are the basic elements in internal control.

Risk management is carried out by monitoring and managing business threats and risks, as well as by simultaneously identifying and exploiting opportunities in business.

The Board of Directors assesses the Group's financial, operative and strategic risks regularly and approves principles and guidelines related to the risks for the Group Management to execute and coordinate. The Board annually assesses the Group's strategic risks as part of the strategy process and operative risks in accordance with the monthly forecasts and budgets, as well as financial risks continuously through Management reporting as part of the follow-up of the business. The President and CEO and the Group's Management Team regularly monitor changes in the business environment and coordinate the Group's strategic, operative and financial risk management. Everyday risk management is basically allocated for the Management of each business unit which is responsible for the management of local operative and financial risks.

The main business risks and uncertainty factors are described on pages 16–17 and financial risks on pages 63–65 of the Annual Report.

Control environment

In addition to the laws and regulations, Salcomp's control environment is defined by the Group's values: customer satisfaction, respect and responsibility, continuous learning and achievement. The values and the Code of Conduct, approved by the Board of Directors, guide daily operations and relationships with customers and other cooperation partners. In addition, working instructions set up by the Management have an influence on the control environment. The instructions are distributed to the entire organization through the responsibilities and tasks determined for each employee. An important part of the control environment is the uniform ERP system used within the Group, which forms the basis for implementing operational business and the related internal control.

The Management and other key personnel receive continuous training: through this, the identification of changes in the business environment and quick reaction to them is secured.

Control activities

The Management monitors the business through monthly financial reporting. In addition, control activities are focused on risk areas which are either already realized or potential and which require special control.

The financial reporting covers all issues related to actual figures, forecasts, budgets and strategies. The reporting structure is presented below. Controllers and General Managers in each country are responsible for the accuracy of the country-specific reporting, and accordingly, the Group Finance is responsible for the accuracy of the Group eliminations and figures.

The Group Management examines the Group and country-specific reporting with the Management in each country once a month. Deviations are analyzed and separate investigations are carried out, if needed. Monthly reporting for the Board of Directors is based on this, and essential deviations and reasons for them are described in it.

STRUCTURE OF THE FINANCIAL REPORTING

Follow-up

The Group Management examines the functionality of internal control with constant follow-up measures. It is considered especially important that changes and observed deviations are communicated across the organization in such a way that they can be immediately taken into account in the Group business.

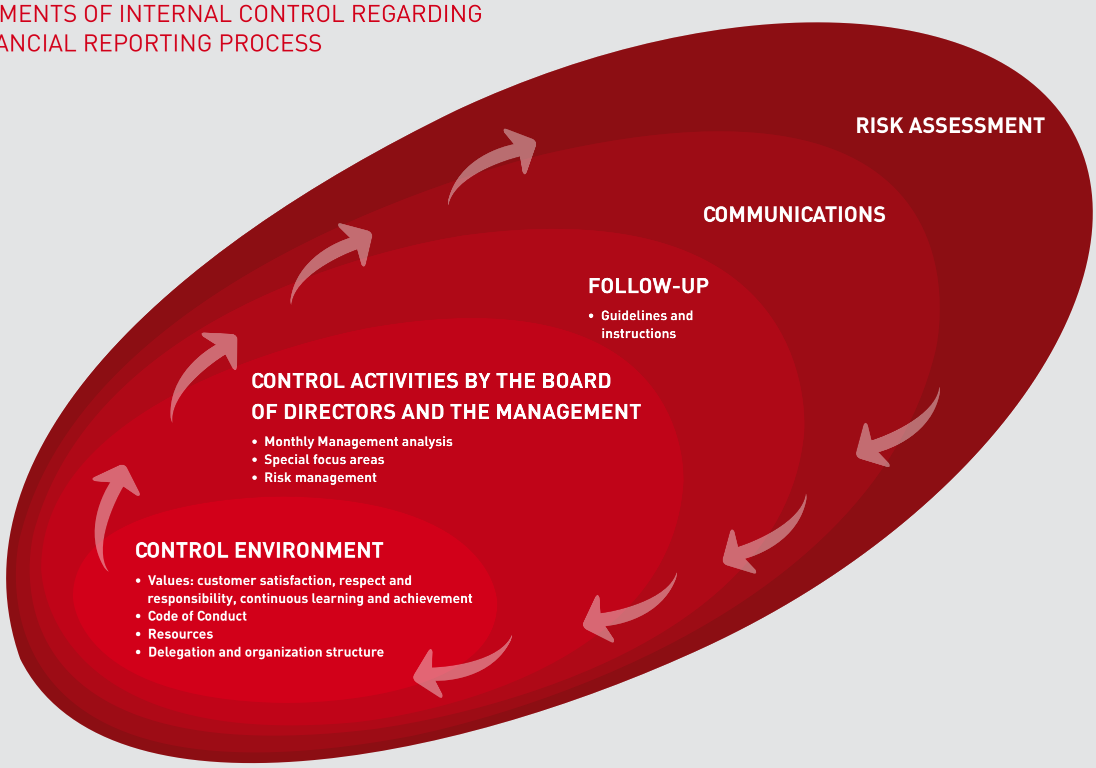
In addition, the follow-up includes an annual inspection of the Group guidelines and the approval of the new Group-level working instructions, if needed. The annual inspection of the guidelines is also included in the rules of procedure of the Board of Directors.

As part of the auditing, the auditor reviews the Group internal control and reports annually to the Board of Directors on the possible need for changes.

Communications

Consistent, sufficient, up-to-date and reliable information is the basic element for the Management's decision-making. The timetables of the Group's financial reporting are annually set up based on the publishing dates of the Interim Reports. The reliability of the financial reporting is analyzed by the business units, Group Finance, Group Management, as well as by the Board of Directors. In addition, information is assured by separate ad hoc investigations, if needed. The content and the consistency of the reporting are regularly examined, and when necessary, changes are made. Both the President and CEO and CFO are involved in the meetings of the Board of Directors which intensifies the communications of the Board decisions and new guidelines in the organization.

THE ELEMENTS OF INTERNAL CONTROL REGARDING THE FINANCIAL REPORTING PROCESS



Board of Directors

Salcomp's Board of Directors comprises Mats Heiman (front left) and Kari Vuorialho, as well as Andreas Tallberg (rear left), Jukka Rinnevaara and Carl Engström.

MATS HEIMAN

Chairman of the Board since 2007
Born 1950, M.Sc. (Eng.), MBA, Senior Investment Manager at Nordstjernan AB
Work experience: President and CEO of Sirius Machinery 2004–2006, management consultant at Booz Allen & Hamilton 1994–2004, management positions at Alfa Laval 1980–1993
Relevant positions of trust: Chairman of the Board of Directors in KMT Group and Stella Plastic Holding AB, member of the Board of Directors in Vingruppen i Norden and VinUnic
40,000 Salcomp Plc shares
Fees in 2009: EUR 37,332

KARI VUORIALHO

Vice Chairman of the Board since 2007, Chairman 2005–2007
Born 1952, B.Sc. (Eng.)
Work experience: CEO of Salcomp Oy 1996–2005, management positions at Salcomp 1977–1996
Relevant positions of trust: Member of the Board of Directors of Aspocomp Group Plc and Meka-Pro Oy
447,286 Salcomp Plc shares
Fees in 2009: EUR 29,866

CARL ENGSTRÖM

Board Member since 2009
Born 1977, M.Sc. (Econ.), M.Sc. (Eng.), Investment Manager at Nordstjernan Investment AB
Work experience: Management consultant at Bain & Company Nordic 2003–2008
No Salcomp Plc shares
Fees in 2009: EUR 16,527

JUKKA RINNEVAARA

Board Member since 2009
Born 1961, M.Sc. (Econ.), President and CEO at Teleste Corporation
Work experience: President and CEO at Teleste Corporation since 2002, ABB Building Systems, Group Senior Vice President 2001–2002, ABB Installaatiot Oy, President 1999–2001
Relevant positions of trust: Ventilation Holding Finland Oy, Member of the Board
No Salcomp Plc shares
Fees in 2009: EUR 16,527

ANDREAS TALLBERG

Board Member since 1999
Born 1963, M.Sc. (Econ.), CEO of GWS Group
Work experience: EQT 1997–2006, MacAndrews & Forbes 1992–1995, Amer Group 1987–1991
Relevant positions of trust: Chairman of the Board of Directors at Detection Technology Oy, Glaston Oyj and Staffpoint Oy, Vice Chairman of the Board of Directors at Perlos Corporation, member of the Board of Directors at Myllykoski Oy and Handelsbanken Finland
No Salcomp Plc shares
Fees in 2009: EUR 23,333

In 2009, the Board of Directors also comprised Peter Hofvenstam and Jorma Terentjeff.
Based on the evaluation of independence, all Board members are independent of the company and Kari Vuorialho, Jukka Rinnevaara and Andreas Tallberg are independent of the company's significant shareholders.
Shareholding of the Salcomp Board of Directors on 31 December 2009.

Management Team

Salcomp's Management Team comprises Markku Hangasjärvi (front left), Antero Palo and Juha Raussi, as well as Jari Saarinen (rear left), Niilo Oksa, Pekka Kyyriäinen and Hannu Hyrsylä.

MARKKU HANGASJÄRVI

President and CEO since 2006
Born 1966, M.Sc. (Electrical Engineering)
Work experience: President and CEO of Efore Plc 2001–2006, Vice President, Thermal Power Business Unit of Fortum Engineering Ltd 2000–2001, Vice President, Marketing of Fortum Engineering Ltd 1996–2000, Regional Director, Russia and other CIS Countries of IVO International Ltd 1993–1996, Managing Director of Finnish Energy Conservation Group 1992–1996
No Salcomp Plc shares
60,000 options 2007A, 60,000 options 2007B and 60,000 options 2007C

HANNU HYRSYLÄ

Corporate Vice President, Global Sourcing since 2006
Born 1968, M.Sc. (Mechanical Engineering)
Work experience: Various management and senior management positions at Nokia Corporation 1996–2006
No Salcomp Plc shares
15,000 options 2007A, 15,000 options 2007B and 30,000 options 2007C

PEKKA KYYRIÄINEN

Corporate Vice President, Global Operations since 2009
Born 1966, M.Sc. (Production Technology)
Work experience: Production development and management positions at Salcomp since 1995, amongst others as General Manager at Salcomp China plant since 2006
29,560 Salcomp Plc shares
20,000 options 2007A, 20,000 options 2007B and 30,000 options 2007C

NIILO OKSA

Corporate Vice President, Human Resources since 2007
Born 1948, M.Sc. (Pol.)
Work experience: Managing Director of Oy JL-Outsourcing Ab 2005–2007, Private Advisor 2004–2005, Senior Vice President, HR and Administration of Eimo Corporation and CEO of Eimo Americas 2000–2004, Executive Vice President, HR and Administration at Neste and Fortum Corporations 1985–2000
No Salcomp Plc shares
25,000 options 2007A, 30,000 options 2007B and 30,000 options 2007C

ANTERO PALO

Corporate Vice President, Sales & Marketing since 2005
Born 1961, Henley MBA
Work experience: General Manager at Salcomp's Brazilian sales Company 2001–2005, leading positions in sales and marketing at Finnair Oyj 1989–2001
No Salcomp Plc shares
35,000 options 2007A, 30,000 options 2007B and 30,000 options 2007C

JUHA RAUSSI

Corporate Vice President, Research and Development since 2006
Born 1963, Engineer
Work experience: Senior Manager of technology development at Nokia Corporation 2004–2006, R&D Manager in Nokia Mobile Phones 1997–2004, various R&D positions at Nokia 1987–1997
No Salcomp Plc shares
35,000 options 2007A, 30,000 options 2007B and 30,000 options 2007C

JARI SAARINEN

Group CFO since 2009
Born 1959, M.Sc. (Econ.)
Work experience: CFO in Solifer Group 2006–2009, CFO and CEO in Biotie Therapies Corporation 2000–2006, financial management positions in MacGregor Group 1992–2000 and in Kone Corporation 1983–1992
Relevant positions of trust: Member of the Board at Biovian Ltd
No Salcomp Plc shares
30,000 options 2007C

During 2009, the Management Team also comprised Markku Saarikannas.
Share and option right holdings of the Management Team on 31 December 2009.

financial statements

Report of the Board of Directors

BUSINESS ENVIRONMENT

The mobile phone market continuously grew from 2001 until the second half of 2008, when the global financial crisis started to impact on the consumer demand, and therefore also on the mobile phone sales. The same development continued during 2009. According to the estimates of market research companies and Salcomp, the mobile phone market decreased by some 6% in 2009, meaning that some 1.14 billion mobile phones, and therefore, mobile phone chargers, were sold. The mobile phone market decreased in the first half of the year, whereas in the second half of the year a picking up in the demand could already be seen.

The market share of Salcomp's main customers, the top 5 mobile phone manufacturers, was relatively flat compared to 2008, at slightly below 80%.

The standardization of charger technologies, a topical issue for several years already, proceeded during 2009 as several related organizations and associations announced their commitment to the universal, USB technology-based charger standard. The universal charger standard is estimated to have only minor impacts on the development of the mobile phone charger market in the short run. The universal charger standard will have the initial impact probably on the high-end and replacement phones, as it is possible that the charger will be left out from these phone kits earlier than from the kits of low-end and first-time-purchased phones. On the other hand, the sales of accessory chargers are estimated to grow.

NET SALES

In 2009, the Group's net sales decreased by 16% and were EUR 239.5 million (EUR 283.3 million in 2008). The number of chargers delivered decreased by 10% to 243.3 million (271.2 million) pieces. The market share in mobile phone chargers was some 21% (some 22%) in 2009.

RESULT

The Group's operating profit weakened by 16% to EUR 10.2 million (EUR 12.1 million). The operating profit was weakened due to the decline in sales volumes and changes in product mix consisting of lower margin products, especially during the first half of the year, as well as the drop in average sales prices. Salcomp succeeded in maintaining its profitability at a satisfactory level due to the increase in productivity and cut in fixed costs. Operating profit in the comparison year 2008 was weakened by the production adjustment measures, especially at the end of the year, as well as significant realized and unrealized exchange rate losses of some EUR 5.4 million mainly during the second half of the year. The operating margin in 2009 was 4.3% (4.3%).

The Group's net finance expenses were EUR 1.1 million (EUR 6.5 million). The finance expenses for the period include EUR 1.0 million of gains (EUR 3.3 million of losses) due to the exchange rate differences in intragroup loans.

Taxes for the period totaled EUR 3.9 million (EUR 4.5 million). They include a deferred tax of EUR 2.5 million (EUR 3.0 million) resulting from the parent company's tax-deductible goodwill amortization. The goodwill was fully amortized in October 2009.

Salcomp's profit for the period in 2009 totaled EUR 5.3 million (EUR 1.1 million). Earnings per share were EUR 0.13 (EUR 0.03) and earnings per share, excluding the deferred tax, amounted to EUR 0.20 (EUR 0.10). Diluted earnings per share were EUR 0.14 (EUR 0.03).

R&D

The Group's R&D expenditure was EUR 5.3 million (EUR 5.8 million) during the financial year, or 2.2% (2.0%) of net sales. At the end of the year, 160 people (155 people) worked in R&D. R&D focused on developing new products for current and new customers, and constant improvement in the cost structure of existing products.

In addition, R&D focused on developing Salcomp's own product platforms, and Salcomp introduced three new platforms during 2009. In the Multiplug charger platform the country models are replaced by interchangeable mains plugs. The mains plug can be easily changed without tools, and this enables the use of the same charger in different countries. Chargers produced according to the Stratos platform are very small USB chargers, and they are suitable for charging mobile phones, Bluetooth headsets and media players. The charger has no fixed charging cable, but the cable can be delivered or bought separately. The Nova platform, introduced during the summer, broadens Salcomp's product range to products which require more powerful power adapters, such as data communications and point-of-sales devices, as well as netbooks.

CAPITAL EXPENDITURE

Capital expenditure during the financial year amounted to EUR 1.6 million (EUR 5.3 million). The capital expenditure mainly involved maintaining the production capacity.

FINANCING

Cash flow from operating activities during the financial year amounted to EUR 3.2 million positive (EUR 31.4 million positive). Cash flow from operating activities decreased compared with the previous financial year mainly due to the change in working capital. The cash flow from operating activities, excluding the change in the selling of receivables, was EUR 4.2 million positive (EUR 39.2 million positive). Cash and cash equivalents at the end of the year were EUR 18.9 million (EUR 26.6 million).

The Group's equity ratio at the end of the year was 44.9% (35.6%) and gearing was 0.3% (5.7%). Net interest-bearing debt totaled EUR 0.2 million (EUR 3.6 million) at the end of the year.

In order to support the working capital development during the first quarter of the year, Salcomp sold some of its trade receivables to Nordstjernan AB, the majority shareholder of Salcomp. The value of the receivables reduced from the Salcomp Balance Sheet was EUR 2.7 million. The terms of the sale of receivables corresponded with the terms of the sale of receivables carried out with an external financial institute.

Salcomp renewed its financing in June. The new financing consists of a EUR 20 million bank loan and a new EUR 7 million capital loan. The loan of EUR 20 million, agreed with the Nordea Bank, can be further syndicated and consists of a EUR 10 million term loan and a EUR 10 million revolving credit facility. The loan period is 3 years. The facilities contain market customary covenants and undertakings. The capital loan of EUR 7 million is a capital loan in accordance with chapter 12 of the Finnish Companies Act and is granted by Nordstjernan AB, the majority shareholder of Salcomp. The loan carries a cumulative annual interest of 12 per cent, and it will be repaid together with accrued interest, at the latest, on 31 December 2012, subject to legal limitations pertaining to capital loans. In addition, terms of the capital loan granted by Nordstjernan at the end of 2008 were changed to correspond to the terms of the new capital loan. The capital loans include normal terms related to the financing. The matters pertaining to the capital loans were prepared by the members of the Board of Directors who are independent of the significant shareholders.

ENVIRONMENT AND QUALITY

The management of Salcomp's environmental and quality issues is based on the Group's environmental and quality policies, development programs and guidelines, as well as its risk management strategy. The focus on the management of environmental and quality issues is to minimize and prevent the effects on the environment and people.

The total amount of harmful chemicals used in production is small, and no harmful emissions are caused by the processes.

The Group's production plants are ISO 14001 and ISO 9001 certified. In addition, Salcomp has the environmental permits required for its operations.

In addition to Salcomp's own quality and environmental control, customers and authorities regularly conduct quality and environmental audits, and the results of the audits are used for constant development of the processes.

In 2009, Salcomp concentrated on improving the energy-efficiency and lowering the stand-by power of chargers. In addition, attention was focused on decreasing electricity consumption and carbon dioxide emissions of the production plants.

Salcomp's chargers have the right to use the international Energy Star energy-efficiency labeling, and Salcomp is also committed to the European CoC Energy Efficiency Standard. The calculation principles of green house gas emissions are determined according to the Green House Gas Protocol.

PERSONNEL AND MANAGEMENT

The number of Group personnel at the end of the year totaled 7,900 (7,025): 4,361 were employed in China, 1,312 in Brazil, 2,177 in India, 50 in Finland and other countries.

During 2009, operations were adjusted and rationalized at the headquarters in Finland, as well as in all Salcomp's production plants by reducing working shifts, temporary salary cuts, lay-offs and by decreasing personnel through dismissals.

Salcomp's President and CEO during the financial year was Markku Hangasjärvi. Other Management Team members were Hannu Hyrsylä (Sourcing), Pekka Kyyriäinen (Operations, since 1 January 2009), Niilo Oksa (Human Resources), Antero Palo (Sales & Marketing), Juha Raussi (R&D) and Jari Saarinen (CFO, since 25 January 2009). Markku Saarikannas, Vice President, Strategic Planning, resigned from Salcomp in 2009.

In October, Salcomp opened offices in Taiwan and Japan. The Taiwan office is located in Taipei and initially employs some 10 persons. The Taipei office is responsible for sales to customers located in Taiwan, as well as technical support and customer service. The Japan office, located in Tokyo, manages sales and customer service in Japan and consists of one person at the initial stage. In December, Salcomp opened a sales office in the USA.

SHARES AND SHAREHOLDERS

Salcomp's registered share capital amounts to EUR 9,832,735.12, divided into 38,975,190 fully paid shares. The company has one series of shares, and all the shares entitle the shareholder to equal rights in the company.

Salcomp's share price fluctuated between EUR 1.15 and EUR 1.99 during the financial period. The average share price during the year was EUR 1.60, and the closing price at the end of the year was EUR 1.95. Share trading amounted to EUR 3.1 million and 1.9 million shares. According to the book-entry system, Salcomp had 1,104 shareholders at the end of the year. Foreign ownership at the end of the year was 78.6% and the market value EUR 76.0 million.

SALCOMP GROUP KEY FIGURES

	2009	2008	2007
Net sales, EUR million	**239.5**	283.3	286.2
Operating profit, EUR million	**10.2**	12.1	25.8
% of net sales	**4.3**	4.3	9.0
Return on equity, %	**7.7**	1.6	30.0
Equity ratio, %	**44.9**	35.6	37.7
R&D expenses, EUR million	**5.3**	5.8	4.8
% of net sales	**2.2**	2.0	1.7
Personnel on average	**7,312**	9,872	8,622
Total wages and salaries, EUR million	**36.2**	45.4	36.2

Based on the decision of the AGM 2007, Salcomp's Board of Directors decided in August to grant stock options 2007C to the Group's key employees. A total of 637,500 option rights 2007C were distributed to 53 of Salcomp's key employees. At the end of 2009, Salcomp's key personnel held a total of 497,500 option rights 2007A, 545,000 option rights 2007B and 627,500 option rights 2007C. The rest of the stock options, 160,000 option rights 2007A, 137,500 option rights 2007B, and 80,000 option rights 2007C were granted to Salcomp Manufacturing Oy.

ANNUAL GENERAL MEETING

Salcomp Plc's Annual General Meeting was held on 15 April 2009 in Helsinki. The AGM approved the 2008 financial statements and discharged the CEO and Members of the Board from liability.

In accordance with the Board's proposal, the AGM decided that no dividend for 2008 will be paid.

The AGM decided that the number of the members of the Board of Directors remains at five. The AGM re-elected as members of the Board of Directors until the conclusion of the 2010 Annual General Meeting: Mats Heiman as Chairman, Kari Vuorialho as Vice Chairman and Andreas Tallberg as member, and elected Carl Engström and Jukka Rinnevaara as new members. The AGM decided to leave the remuneration for the Board of Directors unchanged: EUR 40,000 for the Chairman, EUR 32,000 for the Vice Chairman and EUR 25,000 for the members.

KPMG Oy Ab, Authorized Public Accounting Firm, continues as the Company auditor and Pauli Salminen, APA, as the responsible auditor.

The AGM authorized the Board of Directors to decide on issuance of no more than 11.8 million shares, of which 3.8 million shares can be own shares held by the Company. Furthermore, the AGM decided to authorize the Board of Directors to repurchase no more than 3.8 million of the Company's own shares using the funds in the Company's invested unrestricted equity. The authorizations are valid until the next Annual General Meeting; however, no longer than until 30 June 2010. The authorizations have not been used.

RISKS AND UNCERTAINTIES IN THE NEAR FUTURE

Salcomp's business involves uncertainty factors that may affect the company's financial development in the near future. These include the general development of the mobile phone markets, substantial changes in the purchase prices of charger components and in the competition in the mobile phone charger markets, as well as the standardization of mobile phone chargers, including USB-type chargers. Due to the standardization, it is possible that in the future, part of mobile phone kits will not include a separate mobile phone charger. Furthermore, consolidation of the customer base and deterioration in the financial position of a major customer may have a negative effect on Salcomp's sales and profitability.

Major changes in exchange rates can be considered as one of the other short-term uncertainty factors, especially the exchange rate of the US dollar in relation to the euro and to currencies in those countries in which Salcomp has production. In addition, the impact of the weakening global economy on the mobile phone market and on the stability of the financial market, as well as accessibility of financing, have an influence on Salcomp's business.

Risks are managed to the extent that the company has influence over them.

EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date which would have an influence on the Financial Statements.

THE BOARD'S PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors has adopted dividend principles whereby the Board intends to annually propose to the General Meeting of Shareholders that no more than one-third of the Group's average long-term result be distributed as dividends, provided that the growth requirements stated in the company strategy are not jeopardized. The amount of future dividend, if any, will be subject to the company's future result, its financial position, cash flow, working capital needs, capital expenditure, terms and conditions of financial agreements and covenants among other factors.

The Board will propose to the Annual General Meeting of Shareholders that no dividend for 2009 will be distributed.

REPAYMENT OF CAPITAL TO SHAREHOLDERS

The Board of Directors will propose to the Annual General Meeting of Shareholders that repayment of capital of a total of EUR 2,728,263.3 and EUR 0.07 per share will be distributed to the shareholders from the Company's invested unrestricted equity. The repayment of capital decided by the Annual General Meeting will be distributed to those shareholders that on the record date, 29 March 2010, are registered in the shareholders' register held by Euroclear Finland Ltd.

OUTLOOK FOR 2010

According to the estimates published by some of Salcomp's key customers and by various market research companies, the mobile phone market is expected to grow during 2010, compared with 2009. Measured by the number of units, this would mean approximately 1.2 billion mobile phones and, therefore, mobile phone chargers, to be sold in 2010.

Both Salcomp's net sales and operating profit in 2010 are expected to improve compared with the 2009 level.

Helsinki 11 February 2010

Mats Heiman	Kari Vuorialho
Carl Engström	Jukka Rinnevaara
Andreas Tallberg	Markku Hangasjärvi President and CEO

Consolidated statement of comprehensive income

1 000 €	Note	2009	2008
Net sales	1	**239 455**	**283 250**
Cost of sales	4, 5	–213 167	–253 832
Gross margin		**26 288**	**29 418**
Other operating income	2	90	220
Sales and marketing expenses	4, 5	–2 063	–2 455
Administrative expenses	4, 5	–8 685	–9 314
Research and Development expenses	4, 5	–5 283	–5 754
Other operating expenses	3	–131	–23
Operating profit		**10 216**	**12 092**
Finance income	6	1 228	441
Finance expenses	7	–2 325	–6 962
Result before income tax		**9 119**	**5 571**
Income tax expense	8	–3 861	–4 497
Result for the period		**5 258**	**1 074**
Other comprehensive income for the period			
Currency translation differences for foreign operations		3 069	–565
Total other comprehensive income for the period		**3 069**	**–565**
Total comprehensive income for the period		**8 327**	**509**
Attributable to:	9		
Equity holders of the parent		5 258	1 074
Earnings per share for result of the year attributable to the equity holders of the parent:			
Basic earnings per share	9	0.13	0.03
Diluted earnings per share	9	0.14	0.03

Consolidated statement of financial position

1 000 €	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Non-current assets			
Property, plant and equipment	10	19 886	22 559
Goodwill	11, 12	66 412	66 412
Other intangible assets	11	405	397
Deferred tax assets	13	3 180	3 057
		89 883	92 425
Current assets			
Inventories	14	20 329	29 531
Trade and other receivables	15	32 623	30 637
Cash and cash equivalents	16	18 872	26 590
		71 824	86 758
Total assets		**161 707**	**179 183**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	17		
Share capital		9 833	9 833
Invested unrestricted equity		22 035	22 035
Retained earnings		40 741	31 911
Total equity		72 609	63 779
Non-current liabilities			
Capital loans	19	10 000	3 000
Deferred tax liabilities	13	17 313	14 861
Interest-bearing liabilities	19	5 882	15 329
		33 195	33 190
Current liabilities			
Trade and other payables	20	51 416	69 360
Current income tax liabilities		1 255	949
Interest-bearing current liabilities	19	3 232	11 905
		55 903	82 214
Total liabilities		**89 098**	**115 404**
Total equity and liabilities		**161 707**	**179 183**

Consolidated cash flow statement

1 000 €	2009	2008
Cash flow from operating activities		
Result for the period	5 258	1 073
Adjustments:		
Non-cash transactions	5 383	5 651
Other income and expenses	–64	–98
Interest and other finance expenses	2 325	6 961
Interest income	–1 228	–441
Income taxes	3 861	4 518
Change in net working capital:		
Change in trade and other receivables	–2 013	15 980
Change in inventories	9 201	–7 956
Change in trade payables and other liabilities	–17 709	8 761
Interest received	302	140
Interest paid	–1 136	–1 985
Income taxes paid	–1 018	–1 183
Net cash flow from operating activities	**3 162**	**31 421**
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	–1 592	–5 311
Proceeds from disposal of property, plant and equipment	64	98
Net cash flow from investing activities	**–1 528**	**–5 213**
Cash flow from financing activities		
Withdrawal of loans	27 000	3 000
Repayment of borrowings	–38 092	–10 964
Dividends paid	0	–5 846
Net cash flow from financing activities	**–11 092**	**–13 810**
Change in cash and cash equivalents		
Net increase (+)/decrease (–) in cash and cash equivalents	**–9 458**	**12 398**
Cash and cash equivalents on 1 January	26 590	14 611
Translation differences in cash and cash equivalents	1 740	–419
Cash and cash equivalents on 31 December	**18 872**	**26 590**

Consolidated statement of changes in equity

1 000 €

Attributable to equity holders of the parent	Share capital	Invested unrestricted equity	Translation differences	Retained earnings	Total equity
Equity on 1 January 2008	**9 833**	**22 035**	**–219**	**36 992**	**68 641**
Total comprehensive income for the period	0		–565	1 073	508
Option costs				476	476
Dividends				–5 846	–5 846
Equity on 31 December 2008	**9 833**	**22 035**	**–784**	**32 695**	**63 779**
Equity on 1 January 2009	**9 833**	**22 035**	**–784**	**32 695**	**63 779**
Total comprehensive income for the period			3 069	5 258	8 327
Option costs				503	503
Equity on 31 December 2009	**9 833**	**22 035**	**2 285**	**38 456**	**72 609**

Notes to the Consolidated Financial Statements

Salcomp Plc's parent company

Salcomp Plc is a subsidiary of Nordstjernan AB (registered office in Stockholm). A copy of the Consolidated Financial Statements of Nordstjernan Group is available from the internet address www.nordstjernan.se or the Group's parent company headquarters at Stureplan 3, SE-103 75 Stockholm, Sweden.

The subgroup's parent company

The parent company of Salcomp Group is Salcomp Plc (registered office in Salo). A copy of the Consolidated Financial Statements is available from the internet address www.salcomp.com or from the Group's headquarters at Salorankatu 10, 24100 Salo, Finland.

Salcomp Plc's Board of Directors has, in its meeting on 11 February, 2009, approved these financial statements for publishing.

ACCOUNTING POLICIES

Basic information of the company and description of the business

Salcomp Plc is a Finnish limited liability company domiciled in Salo, Finland. The registered address is Salorankatu 10, 24100 Salo. Salcomp Plc is the parent company of the Salcomp Group. Salcomp is a manufacturer of chargers for mobile phones. The company has a global sales and distribution network, and its production plants are situated in China, India and Brazil. The headquarters are located in Salo.

Basis of preparation

The Salcomp Group's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB). The IFRSs include the IAS and IFRS standards as well as the SIC and IFRIC Interpretations. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRSs refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the EU. The notes to the Consolidated Financial Statements also comply with the requirements of the Finnish Accounting Standards (FAS) and Companies Act.

The Consolidated Financial Statements are prepared on the historical cost basis except as disclosed in the accounting policies. The Consolidated Financial Statements are presented in euro, rounded to the nearest thousand.

New and revised standards and interpretations

Effective as of 1 January 2009, the Group has applied the following new and revised standards and interpretations:

- IAS 1 Presentation of Financial Statements (revised). The changes mainly affected the presentation of the statement of comprehensive income and statement of changes in equity. In addition, the revised standard has affected the terminology used in other standards. There is no impact on earnings per share.

- IFRS 7 Financial Instruments: Disclosures (amended). In accordance with IFRS 7, fair value measurements for financial instruments are classified into a three-level fair value hierarchy. The amendment requires enhanced disclosures on fair values to increase the relative reliability of their assessment and modifies the disclosure requirements in respect of liquidity risk.

- IFRS 8 Operating Segments. According to IFRS 8, segment information is to be reported on the same basis and complying with the same accounting principles as is used in internal reporting. The adoption of IFRS 8 did not have a significant impact on the disclosed information.

- IAS 23 Borrowing Costs (revised). The revised standard requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the acquisition cost of that asset. Salcomp has applied the previously allowed method of recognizing borrowing costs as an expense in the period in which they occur. The adoption of the revised standard has not affected Salcomp's Financial Statements.

Use of judgements and estimates

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities in the notes to the Financial Statements at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these judgements and estimates are based on the latest available information, actual results may differ from these estimates. The judgements and estimates mainly relate to deferred tax assets, goodwill and impairment testing. Information on the judgements and items that are most affected by the management's judgement is provided in the accounting policies in the chapter "Accounting policies requiring management's judgement and key sources of estimation uncertainty".

At the time of publishing the Consolidated Financial Statements, the Group management is not aware of any key sources of estimation uncertainty at the reporting date or key assumptions concerning the future that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Principles of consolidation

The Consolidated Financial Statements incorporate the parent company, Salcomp Plc, and all subsidiaries in which it holds directly or indirectly over 50% of the voting rights, or in which the parent company otherwise has control. Control is the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. The subsidiaries acquired or established during the financial period are consolidated from the date that control was obtained by the Group until control ceases.

The subsidiaries are consolidated by using the purchase method. All intragroup transactions, receivables, liabilities and unrealized gains, as well as intragroup distribution of profits, are eliminated in the Consolidated Financial Statements. Salcomp holds 100% ownership of all its subsidiaries.

Translation of the foreign subsidiaries' Financial Statements

The Consolidated Financial Statements are presented in euro which is the functional currency of the parent company. The functional currency is the currency that best reflects the economic environment of a company. The statements of comprehensive income and statements of cash flows of foreign subsidiaries, whose functional currency is not euro, are translated into euro each month at the average monthly exchange rates, while the statements of financial position of such subsidiaries are translated at the exchange rate prevailing at the reporting date. Translation differences resulting from the translation of profit for the period and other items of comprehensive income in the statement of comprehensive income and statement of financial position are recognized as a separate component in equity and in other comprehensive income. Also, the translation differences arising from the application of the purchase method and from the translation of equity items cumulated subsequent to acquisition are recognized in other comprehensive income. When a foreign subsidiary is in part or in full disposed of, the cumulated translation difference is transferred to profit or loss as part of the profit or loss on disposal.

Operating segments

Salcomp Plc has one operating segment, as defined in IFRS 8 Operating segments, mobile phone chargers.

Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards have been transferred to the buyer and no material uncertainties remain regarding the payments, associated costs, or the possible return of the goods by the buyer. Usually, this refers to the moment when goods have been handed over to the customer in accordance with the agreed terms of delivery.

Net sales are reported after indirect taxes and cash discounts.

Employee benefits

The pension plans of the Group companies are based on the local conditions and practices in the countries in which they operate. The Group has no material defined benefit plans as defined in IAS 19 Employee Benefits. Payments related to defined contribution pension plans are recognized in profit or loss in the period during which services are rendered by employees.

Share-based payments

The Group has an incentive arrangement whereby payments are made as equity instruments (options). Benefits are measured at fair value at the time they are granted and recognized as expenses in equal instalments during the vesting period.

Expenses determined at the time of granting the options is based on the Group's assessment of the number of options for which a right is assumed to arise by the end of the vesting period. The Group subsequently updates the assumption of the number of options on each reporting date. Changes in estimates are recognized in profit or loss. The fair value of the option arrangement is determined on the basis of the Cox-Ross-Rubinstein binomial model.

When exercising options, payments received on the basis of share subscriptions, adjusted by possible transaction costs, are recognized in the company's reserve for invested unrestricted equity.

Translation of items denominated in foreign currency

In their own day-to-day accounting, the Group companies translate transactions in foreign currencies into their own functional currency at the exchange rates prevailing on the dates of the transactions. At the end of the accounting period, the foreign currency monetary receivables and liabilities are translated at the exchange rates prevailing at the reporting date. Foreign currency gains and losses related to sales and purchases are treated as adjustments to purchases. Non-monetary items are translated using the exchange rates at the dates of the transactions. Foreign currency gains and losses from loans denominated in foreign currencies are included in the finance income and finance costs. The Group hedges mainly operative sales and purchases in foreign currencies with derivatives. The effects related to the hedging transactions are recognized as adjustments to the purchases. The Group does not apply hedge accounting as defined in IAS 39 Financial Instruments: Recognition and Measurement.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Subsequent costs are capitalized and depreciated over their estimated useful lives if the economic benefits will flow to the company and the cost of the item can be measured reliably. If an asset is comprised of components with different useful lives, these components are accounted for as separate assets. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. Land and water areas are not depreciated. Costs related to ordinary repairs and maintenance are recognized as an expense in the period during which they occur. Gains and losses on disposal are included in the operating profit.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset, if eligible for capitalization according to IAS 23, if the future economic benefit will flow to the company and the amount of costs can be reliably estimated. Salcomp does not hold any qualifying investments at the reporting date.

The expected useful lives of property, plant and equipment are as follows:

- Buildings and constructions 25–30 years
- Machinery and equipment 3–10 years
- Other tangible assets 5–10 years

The residual values and useful lives are reviewed at each reporting date. If these differ significantly from previous estimates, the depreciation or depreciation periods will be adjusted accordingly.

Goodwill

Goodwill from business combinations is presented as goodwill. Goodwill is the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is allocated to the group of cash-generating units. In the case of business combinations that took place prior to the year 2004, goodwill equals the carrying amount according to the previous accounting standards. This carrying amount was used in the transition as deemed cost in accordance with IFRS. Instead of being amortized, goodwill is tested annually for impairment.

Other intangible assets

Other intangible assets are recognized in the statement of financial position at their historical cost, if the cost can be determined reliably, and if it is likely that the economic benefit related to the asset will flow to the Group. The intangible assets of the Group have finite useful lives during which amortization is recognized in profit or loss on a straight-line basis.

The expected useful lives of other intangible assets are as follows:

- Computer programs 5–10 years

Borrowing costs

Borrowing costs are charged to the income statement during the financial period in which they occur. Cost capitalization is discussed in connection with the accounting policy for property, plant and equipment, where applicable.

Research and development costs

Salcomp Plc has research and development activities. In accordance with the principles of IAS 38 Intangible Assets, the costs related to research activities are recognized as expense. The development costs that meet the special criteria of IAS 38 are capitalized. The product development costs of Salcomp Plc mainly relate to customer projects. The product development costs are included in the value of inventories as an allocation of fixed costs if they are caused by customer projects occurring after a sales order.

Impairment

At each reporting date, the carrying amounts of the Group's assets are reviewed to determine whether there is any indication of impairment. If an indication of impairment exists, the asset's, cash-generating unit's or groups of cash-generating unit's recoverable amount is estimated based on value in use or fair value less costs to sell. The Salcomp Group has used value in use, which is calculated by discounting the expected future cash flows to their present value. Goodwill is tested on Mobile phone charger -operating segment level, which consists of a group of cash-generating units.

Goodwill, intangible assets with indefinite useful lives and assets that are not ready for use are tested annually for impairment. The Group has no assets with indefinite useful lives. An impairment loss is recognized if the recoverable amount of an asset or a group of cash-generating units is less than its carrying amount. The impairment loss is recognized in profit or loss. An impairment loss for a group of cash-generating units is allocated first to reduce the carrying amount of goodwill allocated to that cash-generating unit and then other assets of the unit on a pro rata basis.

If there has been favorable changes in the estimates for the recoverable amount since the previous recognition of impairment loss, the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized in prior periods. Impairment losses on goodwill are not reversed.

Non-current assets held for sale and discontinued operations

Non-current assets (or a disposal group), as well as assets and liabilities relating to a discontinued operation, are classified as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Those non-current assets (or a disposal group), as well as the assets and liabilities related to a discontinued operation that are classified as held for sale are measured at the lower of their carrying amounts and fair values less cost to sell. The depreciation and amortization on these assets is ceased at the date of reclassification.

A discontinued operation is either sold or held for sale operation, which represents a major line of business, geographical area of operations or a subsidiary acquired exclusively for resale purpose. A discontinued operation is part of a single coordinated disposal plan.

The profit or loss from a discontinued operation is presented as a separate item in the statement of comprehensive income. Non-current assets or disposal groups, other items related to assets held for sale and recognized in other comprehensive income, and liabilities included in disposal groups are presented separately from other items in the statement of financial position. At the reporting date, the Group held no such items.

Inventories

Inventories are measured at cost or at lower probable net realizable value. The cost of the inventory is determined using the weighted average cost formula, which is close to the FIFO formula.

The cost of finished goods and work in progress includes materials, wages and salaries, social security expenses, subcontracting expenses, other variable expenses, and an allocation of the variable and fixed production overheads. Inventories are presented net of deductions for obsolete items.

Financial instruments

The Group's financial assets and liabilities are classified in accordance with IAS 39 Financial Instruments: Recognition and Measurement as follows: financial assets and liabilities at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets. The classification is made on initial recognition, and it is based on the nature of the item. At the reporting date, the Group has no financial assets classified as held-to-maturity.

Transaction costs are included in the initial measurement of financial assets that are not measured at fair value through profit and loss. All purchases and sales of financial assets are accounted for at trade date.

A financial asset is derecognized when the Group has lost its contractual rights to the cash flows, or it has transferred substantially all the significant risks and rewards of ownership of the financial asset to an external party.

Financial assets at fair value through profit or loss

This category is divided into two subgroups, assets held for trading and assets designated as at fair value through profit or loss upon initial recognition. Assets classified as held for trading have been acquired principally for the purpose of short-term profit making. Derivatives that do not qualify for the criteria of hedge accounting have been classified as held-for-trading assets. Derivatives classified as held for trading and financial assets maturing within 12 months are included in current assets. Financial assets in this category are measured at the fair value based on quoted prices in active markets. Both realized and unrealized gains and losses arising from changes in fair values are recognized in profit or loss in the period in which they occur.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets and not held for trading. This category includes the Group's financial assets that arise from the delivery of cash, goods or services to a debtor. They are measured at amortized cost and recognized in current or non-current financial assets; non-current, if they mature after 12 months.

Available-for-sale financial assets

Available-for-sale assets are those non-derivative financial assets that are designated as available for sale or are not classified into any other category. They are included in non-current assets unless the Group has an intention to hold the instrument for less than 12 months from the reporting date, in which case they are included in current assets. Available-for-sale assets consist of shares and interest-bearing investments and are measured at fair value or, if the fair value cannot be determined reliably, at amortized cost. The fair values of these assets are measured based on quoted market prices in active markets, being the bid price at the reporting date. Changes in the fair values of available-for-sale financial assets are recognized in other comprehensive income and presented in the fair value reserve in equity, net of any tax effects. The cumulative gain or loss recognized in equity is removed and included in profit or loss when the investment is sold or it is impaired. The Group has no financial assets classified as available-for-sale at the reporting date.

Trade receivables

Trade receivables are measured initially at their invoiced amount less any impairment losses. Trade receivables do not include cash flows from the sold receivables. The credit risk related to the sold trade receivables is transferred to the buyer at the date of the sale. The expenses related to the sale of trade receivables have been recognized as other financial costs. Bad debts are included in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term, liquid investments. Cash and cash equivalents have a maturity of three months or less. Bank overdrafts are included in current liabilities.

Derivative instruments and hedge accounting

Derivatives are initially recognized at cost equal to their fair value. Subsequent to initial recognition derivatives are measured at fair value.

Although certain derivatives qualify for effective hedging criteria defined by the Group's risk management, they do not fully meet the requirements for hedge accounting as defined in IAS 39, even though they are effective financial hedging instruments. As the company does not apply hedge accounting in accordance with IAS 39, the changes in the fair values of derivatives are recognized in profit or loss in the period in which they occur, even if the hedged item affects profit or loss in the following period. The changes in the fair value of foreign currency hedges are included in operating profit and the changes in the fair value of interest rate swaps in financial items.

The fair values of derivatives are determined on the basis of market prices and generally used valuation models. The data and assumptions used in the valuation models are based on verifiable market prices. The fair values of derivatives maturing within a year are presented within current receivables or liabilities. The fair values of derivatives with maturities in excess of one year are presented within non-current receivables or liabilities.

Financial liabilities

Financial liabilities are initially recorded at fair value on the basis of consideration received. Transaction costs directly attributable to loans are included in the cost on initial recognition and amortized as interest expenses during the maturity of the loan. After the initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities are included in non-current and current liabilities, and they can be either interest-bearing or non-interest-bearing.

Provisions and contingent liabilities

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, the outflow of resources is probable and the amount of the obligation can be reliably estimated. When part of the provision is expected to be reimbursed by another party, the reimbursement is treated as a separate asset. The reimbursement is recognized only when it is virtually certain that it will be received. Provisions are measured at the present value of the expenditure that is required to settle the obligation.

At the reporting date, the Group had no such probable warranty obligations that would have qualified for recognition as a warranty provision.

Contingent liability is a contingent obligation caused by past events that is realized when an uncertain transaction, not controlled by the Group, occurs. Also, an obligation which is not likely to require a cash settlement or on which the value cannot be reliably estimated will be treated as a contingent liability. The contingent liabilities are presented in the notes.

Leases

Leases are accounted for as finance leases in accordance with IAS 17 Leases, when the lease transfers substantially all the risks and rewards incidental to ownership to the Group.

In an operating lease, substantially all the risks and rewards are retained by the lessor. Rental payments under operating leases are included in other operating expenses and recognized as rental expenses on a straight-line basis over the lease term.

Income taxes

Income taxes are based on the taxable profit of the Group entities and calculated in accordance with the local tax regulations of each country. Income taxes consist of the current taxes and the tax adjustments for the prior periods. Income taxes also include any changes in deferred tax liabilities and assets. Taxes are recognized in profit or loss; excluding tax effects on items recognized directly in equity or in other comprehensive income.

Deferred tax liabilities or assets are recognized on temporary differences between the tax base of the entities' assets and liabilities and their carrying amounts for financial reporting purposes, and for differences relating to consolidation. Most significant temporary differences arise from tax losses carried forward. Deferred tax assets and liabilities have been computed using each country's statutory tax rate for the following fiscal period. A deferred tax asset is recorded on the basis of losses only to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax liabilities are reported in full.

Deferred taxes are not recognized on investments in foreign subsidiaries as the Group is able to define the date when the temporary difference is realized, and it is probable that the temporary difference is not realized in the foreseeable future.

Operating profit

The Group has defined operating profit (EBIT) as follows: operating profit is the net amount obtained when other operating income is added to the net sales, less purchase expenses adjusted by changes in finished and non-finished inventories, less costs resulting from employee benefits, depreciation, amortization and impairment losses, as well as other operating expenses. All other items, apart from the above-mentioned items, are entered below operating profit. Foreign exchange rate gains and losses are included in operating profit if they result from business-related items; otherwise, they are recognized in financial items. Changes in the fair value of derivatives are included in operating profit for foreign currency hedges and in the financial items for interest rate hedges.

Dividends

Dividends proposed by the Board are not recognized until they have been approved by the shareholders at the Annual General Meeting.

Accounting policies requiring management's judgement and key sources of estimation uncertainty

Management judgements made in choosing and applying the accounting policies of the Group and judgements that have the most significant effect on the figures in Financial Statements relate to impairment testing and deferred tax receivables.

Goodwill and intangible assets that are not ready for use are tested annually for impairment, and indications of impairment are assessed as a part of the management's monthly business follow-up. Recoverable amounts of the cash-generating units are based on value in use calculations. Preparation of these calculations requires the use of estimates.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Recognition of deferred tax assets is based on calculations of the expected future profits. Preparation of such calculations requires the management to use estimates. By the publication of the Consolidated Financial Statements, the Group is not aware of any future key assumptions or of any significant uncertainties regarding the estimates made at the reporting date that might have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year.

New or revised standards and interpretations

The Group will apply the following new or revised standards as of 1 January 2010. These are not expected to have a significant impact on the Consolidated Financial Statements of Salcomp:

- Revised IFRS 3 Business Combinations (effective for financial periods beginning on or after 1 July 2009). The revised standard incorporates a broadened scope. The revision will have an impact on the amount recognized as goodwill and gain or loss resulting from the sale of business. The revised standard will also impact the items recognized in profit or loss, both in the period in which the business combination is carried out, or in the subsequent periods during which contingent considerations are paid or additional interests are acquired. Business combinations carried out prior to the effective date are not adjusted.

- Amended IAS 27 Consolidated and separate financial statements (effective for financial periods beginning on or after 1 July 2009). The amended standard requires accounting for changes in ownership interests by the Group in a subsidiary, when control is maintained, to be recognized as in equity. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value through profit or loss.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for financial periods beginning on or after 1 July 2009). The amendments concern hedge accounting and they specify the guidance in IAS 39 on hedging against one-sided risks and inflation risk regarding items included in financial assets or liabilities.

- Amendment to IFRS 2 Share-based Payment – Intra-group cash-settled share-based payment transaction (effective for financial periods beginning on or after 1 January 2010). The amendment provides additional guidance on the accounting for intra-group share-based payment transactions. Amended IFRS 2 is still subject to endorsement by the European Union.

- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for financial periods beginning on or after 1 July 2009). The interpretation provides guidance on the accounting for distribution of non-cash dividends to owners.

- IFRIC 18 Transfers of Assets from Customers (effective for financial periods beginning on or after 1 July 2009). The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment or cash that must be used to acquire that item of property, plant and equipment, and the entity must then use the item to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or both.

- Amendments to IFRIC 9 Reassessment of embedded derivatives and IAS 39 Financial instruments: Recognition and measurement – Embedded derivatives (effective for financial periods beginning on or after 1 July 2009). The amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the fair value through profit or loss category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.

1. OPERATING SEGMENTS

The new IFRS 8 Operating Segments -standard, applicable from 1 January 2009, has not significantly changed the segment information of Salcomp. According to IFRS 8, the segment reporting is based on internal management reporting. The Mobile Phone Chargers -segment, which previously composed the Group's primary segment, is now the Group's operating segment.

Salcomp Group operates in the markets of power supplies for mobile electrical and electronic equipment. The power supplies include batteries, rechargeable batteries and chargers for them as well as kinetic power supplies, photocells and fuel cells. The Group's main market area is mobile telecommunication devices. In practice, the rechargeable batteries in this market area are the only power supply which is integrated to the device. The only operating segment of the Group consists of chargers that are used for charging these rechargeable batteries.

In accordance with the Group's strategy, the Group Management is also expanding the Group's product range in other chargers in addition to mobile phone chargers. If the quantitative thresholds of the standard are met, the Group will report separate segment information during 2010 on the basis of the following segments:

• Mobile phone chargers
• Other chargers (chargers, that are meant to be used in other products than mobile phones)

1 000 €	2009	2008
Geographical distribution of net sales*		
Brazil	68 352	96 342
China	84 919	76 742
Finland	1 837	1 733
India	44 198	38 811
South Korea	22 645	26 247
Other	17 504	43 375
Total	**239 455**	**283 250**
Most significant customers (% net sales)**		
Customer 1	44%	37%
Customer 2	18%	32%
Customer 3	18%	17%
Customer 4	14%	3%
Group's non-current assets by countries ***		
Brazil	2 158	2 314
China	7 296	8 890
Finland	1 513	1 983
India	9 324	9 769
Total	**20 291**	**22 956**

* Net sales are calculated on basis of the location of the customer
** Customers include aggregated figures of customer Groups
*** Assets include tangible and intangible assets (less goodwill)

2. OTHER OPERATING INCOME

	2009	2008
Gains on disposal of property, plant and equipment and intangible assets	82	121
Rental income	0	92
Reversal of impairment losses on trade receivables	8	6
Compensation of damages	0	1
Total	**90**	**220**

3. OTHER OPERATING EXPENSES

	2009	2008
Losses on disposal of property, plant and equipment and intangible assets and scrapping	18	23
Impairment losses on trade receivables	113	0
Total	**131**	**23**

1 000 €	2009	2008
4. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES		
Depreciation and amortization by asset type		
Property, plant and equipment		
Buildings	167	174
Machinery and equipment	3 983	4 337
Other tangible assets	605	528
Total	**4 755**	**5 039**
Intangible assets		
Intangible rights	125	176
Total	**125**	**176**
Total depreciation and amortization	**4 880**	**5 215**
Depreciation and amortization by function		
Production	4 445	4 778
Sales	7	10
Administration	114	186
Research and Development	314	241
Total	**4 880**	**5 215**

Impairment losses

In the financial years 2009 and 2008, no impairment losses on property, plant or equipment or intangible assets were recognized in profit or loss.

5. EMPLOYEE BENEFITS

1 000 €	2009	2008
Wages and salaries	27 321	34 145
Pension expenses – Defined contribution plans	862	999
Share-based expenses	503	476
Other social expenses	7 476	9 810
Total	**36 162**	**45 430**

Information on the employee benefits of the Group management is presented in note 27.
Information on the granted options is presented in note 18.

The average number of personnel in the Group during the financial year

	2009	2008
Production	7 033	9 601
Sales	23	25
Administration	102	107
Research and Development	154	141
Total	**7 312**	**9 872**

6. FINANCE INCOME

1 000 €	2009	2008
Interest income from bank accounts and deposits	302	114
Foreign exchange gains	926	327
Total	**1 228**	**441**

Items above the operating profit include foreign exchange gains EUR 1.5 million in 2009 (EUR 2.7 million in 2008).

1 000 €	2009	2008
7. FINANCE EXPENSES		
Interest expenses from financial liabilities carried at amortized cost	–1 923	–2 023
Foreign exchange losses	0	–3 341
Other finance expenses	–402	–1 598
Total	**–2 325**	**–6 962**

Items above the operating profit include foreign exchange losses EUR 1.3 million in 2009 (EUR 8.1 million in 2008).

8. INCOME TAXES

	2009	2008
Income taxes in the profit or loss		
Current tax expense	–1 483	–1 584
Tax adjustments for prior years	–49	0
Deferred tax expense	–2 329	–2 913
Total	**–3 861**	**–4 497**

Reconciliation of the income tax expense in the Income Statement and the income tax expense calculated using the Salcomp Group's domestic corporation tax rate:

	2009	2008
Result before tax	9 119	5 571
Income tax calculated using the parent company's tax rate (26%)	2 371	1 448
Effect of tax rates in foreign subsidiaries	–1 090	–1 256
Use of previously unrecognized tax losses	–1 123	7
Effect of unrecognized tax losses utilised	3 647	4 185
Other items	56	113
Income tax expense	**3 861**	**4 497**

Deferred taxes are presented in note 13.

9. EARNINGS PER SHARE

The basic earnings per share are calculated as follows:

Result for the year attributable to equity holders of the parent
Weighted average number of ordinary shares outstanding during the financial year

Information on the changes in the number of the shares are provided in note 17.

	2009	2008
Result for the year attributable to equity holders of the parent	5 258 155	1 073 580
Weighted average number of ordinary shares outstanding during the financial year	38 975 190	38 975 190
Basic earnings per share (EUR/share)	0.13	0.03

Diluted earnings per share, EUR:

	2009	2008
Equity holders of the parent	5 258 155	1 073 580
Weighted average number of ordinary shares outstanding during the financial year	38 975 190	38 975 190
Dilution effect of option rights to the number of shares	–787 265	19 899
Diluted weighted average number of shares	38 187 925	38 995 089
Diluted earnings per share (EUR/share)	0.14	0.03

Information on the incentive program is presented in note 18.

1 000 €

10. PROPERTY, PLANT AND EQUIPMENT

	Land areas	Buildings*	Machinery and equipment	Other tangible assets	Advance payments	Total
Cost 1 January 2009	**0**	**4 628**	**54 960**	**6 927**	**246**	**66 761**
Additions		159	787	122	423	1 491
Disposals and transfers between classes	0	0	–1 907	0	0	–1 907
Exchange difference		61	1 097	–92	20	1 086
Cost 31 December 2009	**0**	**4 848**	**54 937**	**6 957**	**689**	**67 431**
Accumulated depreciations and impairments 1 January 2009		**–183**	**–40 922**	**–3 097**		**–44 202**
Depreciation charge for the year		–167	–3 983	–605		–4 755
Disposals and transfers between classes		1	1 787			1 788
Exchange difference		–4	–425	53		–376
Accumulated depreciations and impairments 31 December 2009		**–353**	**-43 543**	**–3 649**		**–47 545**
Carrying amounts 1 January 2009	0	4 445	14 038	3 831	246	22 559
Carrying amounts 31 December 2009	0	4 495	11 394	3 308	689	19 886
Cost 1 January 2008	**20**	**8 263**	**50 462**	**5 863**	**124**	**64 732**
Additions		491	4 014	514	53	5 072
Disposals and transfers between classes	–20	–3 359	943	–27		–2 464
Exchange difference		–767	–459	577	70	–579
Cost 31 December 2008	**0**	**4 628**	**54 960**	**6 927**	**246**	**66 761**
Accumulated depreciations and impairments 1 January 2008		**–2 582**	**–34 991**	**–2 350**		**–39 923**
Depreciation charge for the year		–175	–4 336	–528		–5 039
Disposals and transfers between classes		2 557	–951			1 606
Exchange difference		17	–644	–219		–845
Accumulated depreciations and impairments 31 December 2008		**–183**	**–40 922**	**–3 097**		**–44 202**
Carrying amounts 1 January 2008	20	5 681	15 470	3 513	123	24 808
Carrying amounts 31 December 2008	0	4 445	14 038	3 831	246	22 559

* The Group has, during the financial period 2008, sold the real estate located in Kemijärvi.

1 000 €

11. INTANGIBLE ASSETS

	Goodwill	Intangible rights	Total
Cost 1 January 2009	**66 412**	**2 280**	**68 692**
Additions		101	101
Disposals and transfers between classes		0	0
Exchange difference		46	46
Cost 31 December 2009	**66 412**	**2 427**	**68 839**
Accumulated amortization and impairments 1 January 2009		**–1 883**	**–1 883**
Amortization for the year		–125	–125
Disposals and transfers between classes		0	0
Exchange difference		–14	–14
Accumulated amortization and impairments 31 December 2009		**–2 022**	**–2 022**
Carrying amounts 1 January 2009	66 412	397	66 809
Carrying amounts 31 December 2009	66 412	405	66 817

Cost 1 January 2008	**66 412**	**2 238**	**68 650**
Additions		215	215
Disposals and transfers between classes		–158	–158
Exchange difference		–15	–15
Cost 31 December 2008	**66 412**	**2 280**	**68 692**
Accumulated amortization and impairments 1 January 2008		**–1 757**	**–1 757**
Amortization for the year		–176	-176
Disposals and transfers between classes		62	62
Exchange difference		–12	–12
Accumulated amortization and impairments 31 December 2008		**–1 883**	**–1 883**
Carrying amounts 1 January 2008	66 412	481	66 894
Carrying amounts 31 December 2008	66 412	397	66 809

12. IMPAIRMENT TESTING FOR GOODWILL

Reallocation of the goodwill

The goodwill of Salcomp Group has been previously allocated to two geographical segments in accordance with IAS 14. These geographical segments have been Europe and in respect of the Asia-Pacific area, China. The business activities have comprised mobile phone chargers tailored to customers.

At the end of 2008, the goodwill was allocated to the following cash-generating units (EUR million):

Finland	59.8
China	6.6
Total	**66.4**

The business of the Group's Mobile Phone Chargers segment has expanded to new geographical areas due to changes in demand and customer's needs after the initial allocation of goodwill. The expansion has been carried out by using existing knowledge and technology.

Due to this, Salcomp has changed its principles for goodwill allocation in 2009, thus the goodwill is allocated rather to a group of cash-generating units of the Mobile Phone Chargers segment (production pool) than to separate geographical areas. The aggregated value of the group of cash-generating units corresponds with the Group figures.

The carrying amount of the goodwill, EUR 66.4 million, has not changed since the end of the previous reporting year.

Impairment testing for goodwill

The recoverable amount of the operating Mobile Phone Charger segment was based on its value in use, which was determined by discounting future estimated cash flows. The cash flows used in the testing were based on actual operating profit and 5-year estimates approved by the Group management. Cash flows for the further periods were extrapolated using a constant growth rate of 2.5 percent. Management believes that this growth rate reflects the development of the Group's business in the long-term and is in accordance with the general estimates of growth in this industry. The discount rate used in the calculation was pre-tax WACC, which was 14.0 percent. The discount rate was calculated as an average, weighted by net sales of country-specific operations of the segment (country-specific WACCs varying between 12.0–20.3 percent). On the basis of impairment testing, impairment of goodwill needs not to be recognized. The Group has no other intangible assets with indefinite useful lives.

Sensitivity analysis

A sensitivity analysis in respect of key assumptions was carried out for the group of cash-generating units. On the basis of the analysis, the value in use of the group of cash-generating units endures:

- 9 percent annual decline in sales growth in the 5-year period, or
- 10 percent annual decline in sales growth in the terminal value, compared to the basic assumptions. This would indicate an 8 percent absolute annual decline in sales in the long-term in real terms.

For profitability, the value in use of the group of cash-generating units endures:

- 30 percent annual decline in operating profit both in the 5-year period and terminal value.
- In addition, the value in use exceeds the carrying amount with up to 7 percent higher discount rates than the discount rate used in the testing.

The management believes that no reasonably possible change in key assumptions would cause the carrying amount of the group of cash-generating units' to exceed its recoverable amount.

1 000 €

13. DEFERRED TAX ASSETS AND LIABILITIES

	Balance at 31 December 2008	Recognized in statement of comprehensive income	Balance at 31 December 2009
Deferred tax assets and liabilities during 2009:			
Deferred tax assets:			
Effects of consolidation and eliminations	257	123	380
Tax losses carried forward	2 800	0	2 800
Total	**3 057**	**123**	**3 180**
Deferred tax liabilities:			
Taxable temporary differences	14 861	2 452	17 313
Total	**14 861**	**2 452**	**17 313**
Net deferred tax liability	**11 804**	**2 329**	**14 133**

	Balance at 31 December 2007	Recognized in statement of comprehensive income	Balance at 31 December 2008
Deferred tax assets and liabilities during 2008:			
Deferred tax assets:			
Effects of consolidation and eliminations	384	–127	257
Tax losses carried forward	2 800	0	2 800
Total	**3 184**	**–127**	**3 057**
Deferred tax liabilities:			
Taxable temporary differences	12 075	2 786	14 861
Total	**12 075**	**2 786**	**14 861**
Net deferred tax liability	**8 891**	**2 913**	**11 804**

On 31 December 2009, the parent company had tax losses carried forward totaling EUR 22.3 million (EUR 31.3 million in 2008) and additionally the parent company has deferred depreciations (in taxation) totaling EUR 33.8 million (EUR 18.1 million in 2008). Deferred tax assets on losses have been recognized amounting to EUR 2.8 million due to the uncertainty of utilization of the tax loss carry forwards. These tax losses carried forward expire in 2013–2015.

Deferred tax liabilities comprise mainly tax-deductible goodwill amortization in the financial statements of the parent company due to annual deferred tax liability recognitions, which were EUR 2.5 million during 2009 (EUR 3.0 million during 2008). The goodwill has been fully amortized in the parent company during 2009.

1 000 €	2009	2008
14. INVENTORIES		
Raw materials and consumables	7 472	11 978
Finished products	12 857	17 553
Total	**20 329**	**29 531**

The carrying amount of the inventories was reduced by recognizing a write-down amounting to EUR 1.9 million (EUR 1.7 million in 2008) to correspond with the net realizable value of the inventories.

In 2009 and 2008, the total value of inventories do not include reversals of previously recognized write-downs.

1 000 €	2009	2008
15. TRADE AND OTHER CURRENT RECEIVABLES		
Trade receivables	27 231	26 426
Accrued income and deferred expenses	5 263	4 126
Other receivables	129	85
Total	**32 623**	**30 637**

During the current financial year, the Group has recognized impairment losses of trade receivables EUR 0.1 million (EUR 0.0 million in 2008). The carrying amounts best represent its maximum credit risk exposure at the reporting date, without taking into account the fair value of any collateral, in the event of other parties failing their obligations under financial instruments.

The material items included in accrued income and deferred expenses relate to advance payments paid to the subcontractors, EUR 1.2 million at the end of 2009 (EUR 0.6 million at the end of 2008). In addition, accrued income and deferred expenses include a EUR 3.3 million deposit relating to taxation recognized in the Manaus company (EUR 2.5 million in 2008).

1 000 €	2009	2008
16. CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	18 273	25 998
Short-term bank deposits (< 3 months)	599	592
Total	**18 872**	**26 590**
Cash and cash equivalents in the statement of cash flows are as follows:		
Cash on hand, at bank and short term bank deposits	18 872	26 590
Total	**18 872**	**26 590**

1 000 €				
17. CAPITAL AND RESERVES	Number of shares (1 000 pcs)	Share capital	Invested unrestricted equity	Total
31 December 2007	**38 975**	**9 833**	**22 035**	**31 868**
31 December 2008	**38 975**	**9 833**	**22 035**	**31 868**
31 December 2009	**38 975**	**9 833**	**22 035**	**31 868**

According to the Salcomp Plc's Articles of Association, the company has one series of shares. On 31 December 2009 the number of shares issued and fully paid was 38,975,190 pieces.

On 31 December 2009, the shares owned by the members of the Board, CEO and the Management Team totaled 516,846 pieces (571,136 pieces on 31 December 2008). Additionally, stock options owned by a related party totaled 615,000 pieces at year-end (455,000 pieces on 31 December 2008).

The reserve for invested unrestricted equity includes other investments of equity nature and subscription prices for shares to the extent that it is specifically decided not to be credited to the share capital. The payments received for share subscriptions based on the options granted after the entry into force (1 September 2006) of the new Limited Liability Companies Act are fully recognized in the reserve for invested unrestricted equity.

The AGM authorized the Board of Directors to decide on issuance of no more than 11.8 million shares, of which 3.8 million shares can be own shares held by the Company. Furthermore, the AGM decided to authorize the Board of Directors to repurchase no more than 3.8 million of the Company's own shares using the funds in the Company's invested unrestricted equity. The authorizations are valid until the next Annual General Meeting; however, no longer than until 30 June 2010. The authorizations have not been used.

After the reporting date, the Board has decided to propose to the General Meeting of Shareholders that

a) dividends will not be distributed
b) that repayment of capital of a total of EUR 2,728,263.30 and EUR 0.07 per share will be distributed to the shareholders from the Company's invested unrestricted equity. The repayment of capital decided by the Annual General Meeting will be distributed to those shareholders that on the record date 29 March 2010 are registered in the shareholders' register held by Euroclear Finland Ltd.

18. SHARE-BASED PAYMENTS

The Group has an incentive program in use, directed to the Group key personnel. As stated in the terms of the incentive program, stock options are granted free of charge. The incentive program is conditional. Basic terms of the program are presented below.

Program symbol	Option right 2007A	Option right 2007B	Option right 2007C
The nature of the incentive	Stock option	Stock option	Stock option
Number of options	657 500	682 500	707 500
Grant date	2.5.2007	7.5.2008	11.8.2009
Options granted during the year (pcs)	622 500	657 500	637 500
Original exercise price (eur/option)	3.09	3.55	1.47
Dividend adjustment	0.21	0.15	0
Exercise price (eur/option)	2.88	3.40	1.47
Share price at grant date	3.53	3.79	1.51
Number of personnel in option program (year end)	36	44	52
Vesting conditions	3 years' service and at least 8% shareholder return per annum until 1 April 2010.	3 years' service and at least 8% shareholder return per annum until 1 April 2011.	3 years' service and at least 8% shareholder return per annum until 1 April 2012.

Movements in the year	Option right 2007A	Option right 2007B	Option right 2007C	Option rights total
Outstanding on 1 January	590 000	642 500	0	1 232 500
Granted during the year	0	0	637 500	637 500
Forfeited during the year	−92 500	−97 500	−10 000	−200 000
Exercised during the year	0	0	0	0
Expired during the year	0	0	0	0
Outstanding on 31 December	497 500	545 000	627 500	1 670 000
Exercisable on 31 December	0	0	0	0

The fair value has been determined using the Cox-Ross-Rubinstein binomial model. Expected volatility has been defined based on the historical share price development of the parent, taking into consideration the remaining contractual life of the options. The fair value of the shares in the option program has been based on the quoted share price.

Assumptions used in fair value calculation:

	Option right 2007A	Option right 2007B	Option right 2007C
Expected volatility	32%	30%	42%
Expected contractual life of the option at grant date (years)	4.9	4.9	4.6
Risk-free interest rate	4.2%	4.1%	2.8%
Fulfillment of option conditions (share price + dividends)	3.89–4.54 €	4.47–5.22 €	1.85–2.16 €
Expected personnel deductions	20.1%	17.0%	10.0%
Fair value of the instrument at grant date (eur/option)	1.44	1.44	0.61

1 000 €	2009	2008
19. INTEREST-BEARING LIABILITIES		
Non-current		
Capital loan	10 000	3 000
Loans from financial institutions	5 882	15 329
Total	**15 882**	**18 329**
Current		
Current portion of non-current loans from financial institutions	3 232	11 905
Total	**3 232**	**11 905**

Salcomp Group renewed its financing arrangements during the year. The new financing arrangement was composed of EUR 20 million bank loan and a new EUR 7 million Capital loan.

The syndicated loan of EUR 20 million is divided between a EUR 10 million long-term loan and a EUR 10 million long-term revolving credit limit. The loan period is 3 years. The terms and conditions of the facilities contain market customary covenants and undertakings and security cover respective the Group. Covenant terms and conditions have remained unchanged compared to the prior financing arrangement agreement. Loans are denominated in euro and have a floating rate.

The capital loan of EUR 7 million is a capital loan in accordance with chapter 12 of the Finnish Companies Act and is granted by Nordstjernan AB, the majority shareholder of Salcomp. The loan carries a cumulative annual interest of 12 per cent, and it will be repaid together with accrued interest at the latest on 31 December 2012, subject to legal limitations pertaining to capital loans. In addition, terms of the capital loan granted by Nordstjernan at the end of 2008 were changed to correspond with the terms of the new capital loan. Interest on both capital loans cumulate to final maturity. The capital loans include normal terms related to the financing. The matters pertaining to the capital loans have been prepared by the members of the Board of Directors who are independent of the significant shareholder. The loan capital and interest have lower priority than the company's other debts in receivership and bankruptcy. The interest will only be paid once the amount of the company's unrestricted equity and capital loan at the moment of payment exceeds the amount of free equity based on the balance sheet contained in the annual accounts of the most recently concluded financial period or later. No security will be issued for the payment of capital or interest. If the interest cannot be paid, it will be transferred for payment on the basis of the first annual accounts based on which it can be paid. The loan has unrecognized unpaid interest of EUR 0.8 million (EUR 3 000) which is included in the current liabilities.

Group's floating rate loans

Group's interest-bearing liabilities with floating rates at contractual repricing periods.

1000 €	2009	2008
Below 6 months	1 667	6 000
6–12 months	1 667	6 000
1–5 years	6 000	15 426
over 5 years	0	0
Total	**9 334**	**27 426**
The weighted averages of the effective interest rates of the Group's interest-bearing liabilities at the balance sheet date were as follows:		
Bank loans	6.18%	5.23%
Capital loans	12.00%	11.00%
Credit limits	6.18%	5.23%

20. TRADE AND OTHER CURRENT LIABILITIES		
Trade payables	40 171	60 150
Accrued personnel, social security and pension expenses	4 200	3 384
Accrued interest expenses and other financial items	787	4
Advances received	84	203
Other accrued expenses and deferred income	3 710	3 166
Other liabilities	2 464	2 453
Total	**51 416**	**69 360**
Main items in other accrued expenses and deferred income		
Tax and tax-related accruals	2 431	1 547
Accrued hedging instruments	57	515
Others	1 222	1 104
Total	**3 710**	**3 166**

21. MANAGEMENT OF FINANCIAL RISKS

In ordinary business activities, the Group is exposed to several financial risks. The Group's objective is to minimize the unfavorable effects on the Group's profit. The most significant financial risks are foreign exchange risks, interest rate risks, credit risks and liquidity risks. The general risk management principles are approved by the Board. The Group Finance Department, together with the local companies, is responsible for the implementation in practice.

The Group's financing is centralized to the parent company.

Foreign exchange risk
Group companies are exposed to foreign exchange rate risks in their business as a varying part of their sales and purchases are denominated in foreign currencies. In addition, part of their sales and purchases are determined in other than the invoicing currency. The most important sales currency is USD. In addition, RMB, INR and BRL are widely used. The purchases are mostly made in RMB, USD, BRL and HKD. Due to different currencies used in sales and purchases, there are exchange risks in USD/EUR, USD/RMB, USD/BRL and USD/INR.

The foreign currency translation position is reviewed regularly both currency and company wise. The main principle is not to hedge. Instead of hedging, the foreign exchange risk is managed by taking actions both towards customers and suppliers, as well as internally within Group companies. For example, existing receivable selling programs with customers are minimizing the open currency position.

External loans, as denominated in EUR, do not expose Group to any foreign currency risk. The parent company is financing group companies whenever needed. Internal loans are not hedged.

The Group is exposed to exchange rate risk on foreign net investments. The equity of foreign subsidiaries is not hedged.

As stated above, the main principle regarding foreign exchange rate risk is not to hedge. However, the Group has previously hedged the estimated six months USD nominated net transaction position. These derivatives are measured at fair value. Both realized and unrealized gains and losses arising from changes in fair value are recognized through profit or loss as they occur.

Below is presented the net position by currency relating to trade receivables, cash and cash equivalents and trade payables, taking into account the hedged amount of the currency (relating to year 2008).

1 000 €

	USD	EUR	RMB	BRL	INR	HKD
2009						
Trade receivables	6 596	0	13 336	5 021	2 278	0
Cash and equivalents	5 139	4 772	1 841	5 634	1 338	148
Trade payables	–9 000	–351	–15 895	–3 258	–2 883	–8 784
Open net position	**2 735**	**4 421**	**–718**	**7 397**	**733**	**–8 636**
2008						
Trade receivables	8 922	86	8 793	5 768	2 857	0
Cash and equivalents	10 516	322	7 803	5 971	1 860	118
Trade payables	–18 152	–383	–23 142	–3 892	–2 963	–11 455
FX derivatives	–6 029					
Open net position	**4 743**	**25**	**–6 546**	**7 846**	**1 754**	**–11 337**

The table below shows from the point of view of the net position calculation presented above the effect of a 10% change in currency exchange rate both to the Group's result before taxes and to equity.

1 000 €

	Change in currency %	USD	RMB	BRL	INR	HKD
2009	**10**	**304**	**–80**	**822**	**30**	**–960**
	–10	–249	65	–673	–25	785
2008	**10**	**–527**	**–727**	**872**	**195**	**–1 260**
	–10	431	595	–713	–159	1 031

Interest rate risk
The Group's interest rate risk is mainly related to the floating rate loan portfolio. Changes in the market rates have a direct impact on the Group´s interest payments. The interest rate risk related to the term loan is hedged with interest rate swaps.

Even though the derivatives, being the effective hedging instruments, fulfill the requirements of hedge effectiveness defined by the Group Risk Management, they do not fully meet the hedge accounting requirements set up in IAS 39. After initial recognition, the derivatives are measured at fair value. Both realized and unrealized gains and losses are recognized through profit or loss as they occur.

The Group interest-bearing liabilities are presented in note 19.

The table below presents the effect of a one basis point change in interest rate, calculated from year-end open loan portfolio to the Group´s result before taxes and to equity. The average interest rate used in this calculation is 1.5% (3.5% in the comparison period).

1 000 €	Interest level	Profit effect
2009	**0.5%**	**–10**
	2.5%	10
2008	**2.5%**	**–117**
	4.5%	143

Raw material price risk
The most important materials of components of the end products are plastic resin and copper. The Group does not normally buy these raw materials directly. The short-term price risk related to these raw materials is hedged using fixed price contracts (on average 3 to 6 months).

Credit risk
The Group is exposed to a credit risk if the counterparty of the agreement does not fulfill their obligation. Group policy determines the credit rating requirements of customers and counterparties of treasury transactions and derivative contracts. Products are sold only to companies with good credit worthiness. Trade receivables are monitored regularly.

The counterparties of the derivative contracts and treasury transactions have a good credit ratings. The maximum amount on the Group's credit risk equals the carrying amount of the financial assets (See note 22). The need for hedging and possibilities are evaluated on a case-by-case basis.

The tables below present the aging of trade receivables and their geographical distribution.

1 000 €	2009	2008
Aging of trade receivables		
Not past due	25 266	21 750
Past due less than 30 days	1 409	3 753
30–60 days	466	98
61–120 days	89	469
Over 120 days	1	357
Total	**27 231**	**26 426**
During the current reporting period, the Group has recognized impairment losses of trade receivables EUR 0.1 million (EUR 0.0 million in 2008).		
Geographical distribution		
Asia and Pacific Ocean area	19 358	17 421
Europe	2 482	2 012
North and South America	5 391	6 993
Total	**27 231**	**26 426**

The Group is exposed to a significant concentration of credit risk since the clientele is comprised of a few large groups. Three customers (groups) cover 61% of the trade receivables. These groups have good credit worthiness.

Liquidity risk
The Group continuously evaluates and monitors the amount of financing required in order to have a sufficient liquidity position from which to finance its business activities and make loan repayments. Availability and flexibility of financing is secured mainly with unused credit limits. The Groups´ financing agreements have customary terms and conditions that are related to the position of the financiers, financial key figures and the use of collaterals.

The table below presents the Group´s payment obligations based on the undiscounted cash flows of liabilities.

1 000 €	2010	2011	2012	2013
2009				
Interest-bearing liabilities (incl. interests)	4 614	3 465	14 887	0
Other liabilities	2 464			
Trade payables	40 171			
Derivatives	57			
Total	**47 306**	**3 465**	**14 887**	**0**

1 000 €	2009	2010	2011	2012
2008				
Interest-bearing liabilities (incl. interests)	13 527	12 900	3 882	3 330
Other liabilities	2 453			
Trade payables	60 150			
Derivatives	515			
Total	**76 645**	**12 900**	**3 882**	**3 330**

The amount of unused credits at year end is EUR 9 million.

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets
For financial assets, the fair value equals their initial carrying amount as the discounting has no material effect considering the short maturity of these items.

Financial liabilities
The maturities of all financial liabilities have a maximum of three years (last repayment in 2012). At the reporting date, the interest rate of the interest-bearing liabilities are tied to one month market rate. For these liabilities, the fair values does not materially differ from their carrying amounts as the discounting has no material effect, and the company-specific risk premium has not materially changed. Derivatives at fair value are, based on the fair value hierarchy, categorized to level 2. Fair values are based on confirmations received from banks.

The fair values of the financial assets and financial liabilities, which are equal to their carrying amounts, are presented in the table below:

1 000 €

	Note	Financial assets trading	Financial assets carried at cost	Financial liabilities carried at amortized cost	Carrying value	Fair value
2009						
Financial assets						
Current						
Trade and other receivables	15		27 360		27 360	27 360
Cash	16		18 872		18 872	18 872
Financial liabilities						
Non current						
Bank loans	19			6 000	6 000	6 000
Capital loans	19			10 000	10 000	10 000
Current						
Bank loans	19			3 333	3 333	3 333
Trade and other liabilities	20			42 635	42 635	42 635
Interest hedges	20	57			57	57

1 000 €

	Note	Financial assets trading	Financial assets carried at cost	Financial liabilities carried at amortized cost	Carrying value	Fair value
2008						
Financial assets						
Current						
Trade and other receivables	15		26 511		26 511	26 511
Cash	16		26 590		26 590	26 590
Financial liabilities						
Non current						
Bank loans	19			15 235	15 235	15 235
Capital loans	19			3 000	3 000	3 000
Current						
Bank loans	19			12 000	12 000	12 000
Trade and other liabilities	20			62 603	62 603	62 603
Interest hedges	20	178			178	178
Currency hedges	20	337			337	337

1 000 €	2009	2008
23. ADJUSTMENTS TO CASH FLOWS FROM THE OPERATING ACTIVITIES		
Non-cash transactions:		
Depreciation and amortization	4 880	5 215
Recognition of option costs	503	476
Change in restructuring provision	0	–40
Total	**5 383**	**5 651**

	2009	2008
24. OPERATING LEASES		
Group as lessee		
Minimum lease payments on non-cancellable operating leases are payable as follows:		
Less than one year	3 202	3 336
Between one and five years	4 157	6 708
Total	**7 359**	**10 044**

The Group has leased factory facilities and office premises located in Salo Finland, in China and in Brazil. These leases are classified as operating leases. The leases run for a period of 3–5 years with an option to renew the lease after that date.

EUR 3.0 million was recognized as a lease expense in the income statement in respect of operating leases during the year ended 31 December 2009 (EUR 3.0 million in 2008).

1 000 €	2009	2008
25. COMMITMENTS AND CONTINGENCIES		
Collateral for own commitments		
Bank loans	9 333	27 425
Company collateral	82 000	170 000
Other collateral for own commitments	5	5

1 000 €	2009		2008	
26. AUDITOR'S FEES ACCORDING TO ASSIGNMENT GROUPS				
	Group	Parent share	Group	Parent share
Auditing	113	34	107	33
Tax consulting	42	25	69	55
Other services	136	133	9	9
Total fees	**291**	**192**	**185**	**97**

1 000 €

27. RELATED PARTIES

Parent and subsidiary relations of Salcomp Group on 31 December 2009	Country	Group holding %	Group voting %
Companies owned by the Group and the parent company			
Parent Salcomp Plc, Salo	Finland		
Salcomp Manufacturing Oy, Salo	Finland	100.0%	100.0%
Salcomp Ltda, São Paulo	Brazil	99.8%	99.8%
Salcomp (Shenzhen) Co. Ltd, Shenzhen	China	100.0%	100.0%
Salcomp Industrial Eletronica da Amazonia Ltda, Manaus	Brazil	100.0%	100.0%
Salcomp Manufacturing India Private Ltd, Chennai	India	100.0%	100.0%
Salcomp Taiwan Co, Ltd., Taipei	Taiwan	100.0%	100.0%

Salcomp Plc is a subsidiary of Nordstjernan AB. Nordstjernan has granted Salcomp a capital loan of EUR 10 million. Capital loan terms are presented in note 19.

1 000 €	2009	2008
Capital loan	10 000	3 000
Unpaid interest	787	3

In addition, Salcomp Group sold trade receivables to Nordstjernan AB during the year. The amount of sold receivables was EUR 2.7 million. Items included in the receivable selling transaction were fully repaid to Nordstjernan AB in July 2009. The terms of the sale of receivables corresponded with the terms of the sale of receivables carried out with an external financial institute.

Related party transactions

Salcomp Group has related party relationships with the Board members, the CEO and with the Management Team. The Management Team consists of seven persons and the CEO.

The Group has entered into related party transactions as follows:

1 000 €	2009	2008
a) Related party ownership changes		
The number of the parent company´s shares the current key management personnel have sold:	–20 000 pcs	63 300 pcs
The number of the parent company´s shares the former key management personnel have sold:	74 290 pcs	17 501 pcs
Related party ownership:		
Shares	516 846 pcs	571 136 pcs
Option rights	615 000 pcs	455 000 pcs
b) Related party compensations:		
Salaries and other benefits	1 218	1 323
Post-employment benefits (Cost according to the Finnish Employees' Pensions Act)	370	348
Share-based payments	185	176
Total	**1 773**	**1 847**

1 000 €		2009	2008
Management remuneration:			
Mats Heiman	Chairman of the Board	37	40
Kari Vuorialho	Vice Chairman of the Board	29	32
Jorma Terentjeff	Member of the Board (until 15.4.2009)	7	25
Peter Hofvenstam	Member of the Board (until 15.4.2009)	7	25
Andreas Tallberg	Member of the Board	23	25
Carl Engström	Member of the Board (from 15.4.2009)	17	0
Jukka Rinnevaara	Member of the Board (from 15.4.2009)	17	0
Markku Hangasjärvi	CEO	261	326
Total		**398**	**473**

The CEO and other members of the Management Team are entitled to participate in the supplementary pension system.

c) Loans to related parties

There were no loans or commitments granted to the related parties.

28. CAPITAL MANAGEMENT

The target of the Group's capital management is to support the business by ensuring the normal operational preconditions, as well as to increase the shareholder value with an objective of the best possible return. The optimal capital structure also ensures the lower cost of capital.

Capital structure is influenced, for instance, through dividend distribution and share issues. The Group can change or adjust the dividend distribution or the amount of returned equity to the shareholders. Additionally, the number of issued shares can be adjusted. Decisions can also be made on sales of assets to repay the liabilities.

Group capital structure is monitored with key figures, for example, on Net Debt to EBITDA, which is also one of the covenants in the loan portfolio:

1 000 €	2009	2008
Interest-bearing liabilities (gross)	19 114	30 425
Cash and cash equivalents	–18 872	–26 590
Net Debt	242	3 835
EBITDA	15 096	17 217
Net Debt to EBITDA	**0.02**	**0.22**
Gearing, %	0.33%	5.7%

29. EVENTS AFTER THE REPORTING DATE

After the reporting date, no material events that would have affected the Financial Statements presented here have been noticed.

Parent company income statement

1 000 €	Note	2009	2008
Net sales	1	**57 575**	**108 647**
Cost of goods sold	3, 4	–52 841	–93 414
Gross margin		**4 734**	**15 233**
Sales expenses	3, 4	–866	–1 471
Administrative expenses	3, 4	–3 588	–3 848
Research and Development expenses	3, 4	–2 811	–3 749
Other operating income	2	60	212
Other operating expenses	2	–9 474	–11 406
Operating profit		**–11 945**	**–5 029**
Finance income and expenses	5	–994	–1 730
Result before appropriations and taxes		**–12 939**	**–6 759**
Income taxes	6	–49	0
Result for the period		**–12 988**	**–6 759**

Parent company statement of financial position

1 000 €	Note	31 Dec 2009	31 Dec 2008
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7		
Intangible rights		144	128
Goodwill		0	9 474
Other capitalized long-term expenditure		90	135
		234	9 737
Tangible assets	8		
Machinery and equipment		1 142	1 668
Advances paid and assets under construction		0	52
		1 142	1 720
Investments	9		
Investments in Group companies		27 751	27 740
CURRENT ASSETS			
Inventories			
Finished goods		5 978	7 931
Receivables			
Non-current	10		
Prepaid expenses and accrued income		119	158
Current	11		
Trade receivables		5 871	8 376
Receivables from Group companies		15 962	32 069
Other receivables		59	42
Prepaid expenses and accrued income		270	736
		22 162	41 223
Cash and cash equivalent		**7 574**	**2 574**
Total assets		**64 960**	**91 083**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	12		
Share capital		9 833	9 833
Invested unrestricted equity		23 691	23 691
Profit (loss) from previous financial years		–593	6 165
Result for the period		–12 988	–6 759
		19 943	32 930
LIABILITIES			
Non-current	13		
Loans from financial institutions		6 000	15 425
Capital loans		10 000	3 000
Current	14		
Loans from financial institutions		3 333	12 000
Trade payables		1 498	4 843
Payables to Group companies		22 011	20 283
Other payables		224	192
Accrued expenses and deferred income		1 951	2 410
		29 017	**39 728**
Total shareholders' equity and liabilities		**64 960**	**91 083**

Parent company statement of cash flows

1 000 €	2009	2008
Cash flow from operating activities		
Result before extraordinary items	–12 939	–6 759
Adjustments:		
Depreciation and amortization according to plan	10 214	12 346
Finance income and expenses	994	1 730
Other adjustments	–52	–114
Cash flow before change in working capital	–1 783	7 203
Change in working capital:		
Increase (–)/decrease (+) in current non-interest-bearing receivables	11 981	6 914
Increase (–)/decrease (+) in inventories	1 953	1 029
Increase (+)/decrease (–) in current non-interest-bearing payables	–2 987	–5 305
Cash flow from operating activities before financial items and taxes	9 164	9 841
Interests paid and other operating finance expenses	–1 136	–1 986
Interest income from operating activities	1	23
Paid taxes	–49	0
Cash flow from operating activities	**7 980**	**7 878**
Cash flow from investing activities		
Investments in property, plant and equipment and intangible assets	–340	–624
Gains on disposal of property, plant and equipment and intangible assets	259	1 013
Investments in shares of subsidiaries	–11	0
Repayments of loan receivables	5 800	3 000
Interests of investments	1 318	1 453
Dividends received of investments	1 086	0
Cash flow from investing activities	**8 112**	**4 842**
Cash flow from financing activities		
Withdrawals of non-current loans	27 000	3 000
Repayment of non-current loans	–38 092	–10 964
Dividends paid	0	–5 846
Cash flow from financing activities	**–11 092**	**–13 810**
Net change in cash and cash equivalents, increase (+)/decrease (–)	**5 000**	**–1 090**
Cash and cash equivalents at the beginning of the financial year	**2 574**	**3 664**
Cash and cash equivalents at the end of the financial year	**7 574**	**2 574**

Notes to the parent company financial statements

ACCOUNTING POLICIES

The parent company Financial Statements are prepared according to Finnish Accounting Standards (FAS). The Salcomp Group Consolidated Financial Statements are prepared according to IFRS (International Financial Reporting Standards) and the Financial Statements of the parent company comply with the accounting policies of the Group wherever possible. Below are presented the accounting policies which differ from the Group accounting policies. Otherwise, the Group's accounting policies are applied.

Property, plant and equipment and intangible assets

The accounting policies of the Group are applied to the property, plant and equipment and intangible assets. Contrary to the Group's accounting policies, the parent company continues to recognize the amortization of the goodwill.

Shares in subsidiaries

Shares in subsidiaries are recognized in the Balance Sheet at their historical cost or to a lower probable market value.

Receivables from Group companies

Trade receivables are measured at their invoiced amount less any impairment losses. Trade receivables do not include cash flows from the sold receivables. The credit risk related to the sold trade receivables is transferred to the buyer at the date of sale. The expenses related to the sale of trade receivables have been recognized as other finance expenses. Credit losses are recognized in the Income Statement as other operating expenses.

Research and Development expenses

All research and development expenses are expensed as incurred.

Share-based incentive program

The accounting treatment of Salcomp Plc's option program is described in the Salcomp Group's accounting policies. Salcomp Plc prepares its Financial Statements in accordance with FAS, and thus no expense from the option program is recognized in Salcomp Plc's Income Statement.

NOTES TO THE PARENT COMPANY INCOME STATEMENT

1 000 €	2009	2008
1. NET SALES BY MARKET AREA		
Europe	14 222	16 329
Asia and the Pacific	32 400	62 833
North America	3 881	16 402
South America	7 072	13 083
Total	**57 575**	**108 647**
2. OTHER OPERATING INCOME AND EXPENSES		
Other operating income		
Lease income	0	92
Gains from disposal of property, plant, equipment and intangible assets	52	114
Other income	8	6
Total	**60**	**212**
Other operating expenses		
Amortization of goodwill	9 474	11 406
Total	**9 474**	**11 406**
3. PERSONNEL EXPENSES AND THE AVERAGE NUMBER OF PERSONNEL		
Personnel expenses		
Wages and salaries	3 723	5 134
Pension expenses	703	832
Other indirect employee expenses	332	327
Total	**4 758**	**6 293**
Remuneration of the Board members	137	147
The President and CEO and other members of the Management Team are entitled to participate in the supplementary pension system.		
Average number of personnel during the financial year		
Production	6	11
Sales	2	7
Administration	13	13
Research and Development	29	35
Total	**50**	**66**

1 000 €	2009	2008
4. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES		
Depreciation and amortization according to plan		
Intangible assets		
Intangible rights	41	33
Goodwill	9 474	11 406
Other capitalized long-term expenditure	45	47
Property, plant and equipment		
Buildings and constructions	0	18
Machinery and equipment	654	841
Total depreciation and amortization	**10 214**	**12 345**
Depreciation and amortization by function		
Production	550	794
Research and Development	131	83
Sales	1	2
Administration	58	60
Total depreciation by function	**740**	**939**
Amortization of goodwill	9 474	11 406
Total depreciation and amortization	**10 214**	**12 345**
The amortization of goodwill is recognized in other operating expenses.		
5. FINANCE INCOME AND EXPENSES		
Other interest and finance income		
From Group companies	325	1 140
From others	125	23
Dividends received	1 086	0
Other interest and finance income, total	**1 535**	**1 163**
Interest and other finance expenses		
To Group companies	15	0
To others	2 515	2 893
Interest and other finance expenses, total	**2 530**	**2 893**
Finance income and expenses, net	**−994**	**−1 730**
Interest and financial income including exchange rate losses (net)	**56**	**11**
6. INCOME TAXES		
Income taxes from operations	0	0
Income taxes, total	**0**	**0**
OTHER DIRECT INCOME TAXES		
Other direct income taxes	−49	0
Other direct income taxes, total	**−49**	**0**

NOTES TO THE PARENT COMPANY FINANCIAL POSITION

1 000 €

TANGIBLE AND INTANGIBLE ASSETS AND OTHER NON-CURRENT INVESTMENTS

7. INTANGIBLE ASSETS	Intangible rights	Goodwill	Other long-term expenses	Unfinished machinery	Total
Cost 1 January 2009	**1 600**	**114 347**	**856**	**0**	**116 803**
Additions	18	0	0	38	56
Disposals	0	0	0	0	0
Cost 31 December 2009	**1 618**	**114 347**	**856**	**38**	**116 859**
Accumulated amortization and impairment losses 1 January 2009	**1 472**	**104 872**	**721**	**0**	**107 065**
Accumulated depreciation on deductions				0	
Amortization for the year	41	9 474	45	0	9 560
Accumulated amortization and impairment losses 31 December 2009	**1 513**	**114 346**	**766**	**0**	**116 625**
Carrying amounts 31 December 2009	105	0	90	38	234
Carrying amounts 31 December 2008	128	9 474	135	0	21 142

8. PROPERTY, PLANT AND EQUIPMENT	Machinery and equipment	Advance payments	Total
Cost 1 January 2009	**28 109**	**52**	**28 161**
Additions	140	0	140
Disposals	–969	–52	–1 021
Cost 31 December 2009	**27 280**	**0**	**27 280**
Accumulated depreciation and impairment losses 1 January 2009	**26 441**	**0**	**26 441**
Disposals and transfers	–957	0	–957
Depreciation for the year	654	0	654
Accumulated depreciation and impairment losses 31 December 2009	**26 138**	**0**	**26 138**
Carrying amounts 31 December 2009	1 142	0	1 142
Carrying amounts 31 December 2008	1 668	52	1 720
Carrying amounts of the production machinery and equipment			
31 December 2009	574		
31 December 2008	940		

9. INVESTMENTS	**Shares in Group companies**
Cost 1 January 2009	**27 740**
Increases	11
Cost 31 December 2009	**27 751**
Carrying amounts 31 December 2009	27 751
Carrying amounts 31 December 2008	27 740

Group companies	**Company's holding, %**
Salcomp Ltda, São Paulo, Brazil	99.8
Salcomp Manufacturing Oy, Finland	100.0
Salcomp Taiwan Co., Ltd., Taiwan	100.0

1 000 €	2009		2008	
10. NON-CURRENT RECEIVABLES				
Prepaid expenses and accrued income from others		119		158
Non-current receivables, total		**119**		**158**
11. CURRENT RECEIVABLES				
Current receivables				
Trade receivables		5 871		8 376
Receivables from Group companies				
Trade receivables		1 762		14 534
Loans receivable		14 088		16 391
Prepaid expenses and accrued income		112		1 144
Total		**15 962**		**32 069**
Other receivables		59		42
Prepaid expenses and accrued income				
Advance payments		73		640
Others		197		95
Prepaid expenses and accrued income, total		**270**		**736**
Current receivables, total		**22 162**		**41 223**
12. SHAREHOLDERS' EQUITY				
RESTRICTED EQUITY				
Share capital 1 January		9 833		9 833
Share capital 31 December		**9 833**		**9 833**
UNRESTRICTED EQUITY				
Invested unrestricted equity 1 January		23 691		23 691
Increase in invested unrestricted equity 6 August 2007		0		0
Invested unrestricted equity 31 December		**23 691**		**23 691**
Profit/loss from previous financial years 1 January		–593		12 012
Dividends paid		0		–5 847
Profit/loss from previous financial years 31 December		**–593**		**6 165**
Result for the year		**–12 988**		**–6 759**
Shareholders' equity, total		**19 943**		**32 930**
Distributable funds 31 December				
Invested unrestricted equity		23 691		23 691
Retained earnings		–593		6 165
Income for the financial year		–12 988		–6 759
Total		**10 110**		**23 097**
Breakdown of share capital by share series				
Shares (1 vote/share)	38 975 190 pcs	9 832 735 €	38 975 190 pcs	9 832 735 €

1 000 €	2009	2008
13. NON-CURRENT LIABILITIES		
Non-current loans		
Loans from financial institutions	5 000	15 425
Capital loans	10 000	3 000
Revolving credit	1 000	0
Total	**16 000**	**18 425**
Non-current liabilities, total	**16 000**	**18 425**

Terms relating to the capital loans are presented in the Consolidated Financial Statements, note 20.

1 000 €	2009	2008
14. CURRENT LIABILITIES		
Current loans		
Loans from financial institutions	3 333	12 000
Trade payables	1 498	4 842
Payables to Group companies		
Trade payables	8 348	20 283
Other payables	13 663	0
Total	**22 011**	**20 283**
Other payables	224	192
Accrued expenses and deferred income	1 951	2 410
Current liabilities, total	**29 017**	**39 727**
Material items in accrued expenses and deferred income		
Wages and salaries including employer contributions to social security	820	1 698
Interests	788	4
Other	343	708
Total	**1 951**	**2 410**
15. COLLATERAL AND CONTINGENT LIABILITIES		
Mortgages given for own debt		
Loans from financial institutions	9 333	27 425
Corporate mortgages	40 000	100 000
Mortagaged subsidiary shares	27 489	27 489
Loan receivables from subsidiaries	0	3 800
Total of mortgages given	**67 489**	**131 289**
Other collateral given		
Other collateral for the Group's own commitments	5	5
Guarantees given on behalf of subsidiaries	0	0
Total of other collateral given	**5**	**5**
Contingent liabilities		
Amounts payable on leases		
Payable during the next financial year	507	564
Payable after the next financial year	420	692
Total	**927**	**1 256**
Rental liabilities		
Payable during the next financial year	72	75
Total	**72**	**75**
Derivative contracts		
Nominal value of currency options	0	8 500
Market value of currency options	0	–337
Nominal value of interest rate options	0	11 635
Market value of interest rate options	0	–68
Nominal value of interest rate swap contracts	8 333	11 635
Market value of interest rate swap contracts	–58	–109

Key figures

MEUR (Unless otherwise stated)	2009	2008	2007	2006	2005
Net sales	239.5	283.3	286.2	259.0	156.0
Change, %	–0.8	–1.0	10.5	66.0	10.5
EBITDA	15.1	17.3	30.6	20.7	17.2
% of net sales	6.3	6.1	10.7	8.0	11.0
Operating profit	10.2	12.1	25.8	15.5	12.5
% of net sales	4.3	4.3	9.0	6.0	8.0
Result before taxes	9.1	5.6	22.5	11.2	8.2
% of net sales	3.8	2.0	7.9	4.3	5.3
Result for the period	5.3	1.1	18.3	7.6	5.8
% of net sales	2.2	0.4	6.4	2.9	3.7
Capital expenditure	1.6	5.3	11.3	9.3	9.0
% of net sales	0.7	1.9	3.9	3.6	5.8
Research and Development costs	5.3	5.6	4.8	5.4	4.1
% of net sales	2.2	2.0	1.7	2.1	2.6
Average number of personnel during the financial year	7 312	9 872	8 622	7 567	5 612
Return on equity, %	7.7	1.6	30.0	18.8	23.3
Return on capital employed, %	12.3	12.1	25.3	16.2	14.3
Return on assets (RONA), %	61.2	51.1	72.3	54.1	68.0
Equity ratio, %	44.9	35.6	37.7	30.5	19.1
Gearing, %	0.3	5.7	34.0	83.7	194.6
Interest-bearing net debts	0.2	3.6	23.3	44.4	54.9
Shareholders' equity	72.6	63.8	68.6	53.0	28.2
Balance sheet total	161.7	179.2	182.0	174.5	148.0
Earnings per share, €	0.13	0.03	0.47	0.20	0.18
Equity per share, €	1.86	1.64	1.76	1.36	0.86
Dividend per share, €	0*	0	0.15	0.06	0
Dividend per profit for the period, %	0*	0	32.0	30.7	
Effective dividend yield, %	0*	0	3.8	2.3	
Number of shares at the end of the period	38 975 190	38 975 190	38 975 190	38 975 190	
Average number of shares	38 975 190	38 975 190	38 975 190	37 808 067	32 839 450
Diluted weighted average number of shares	38 187 925	38 995 089	39 057 819		

* Board's proposal

CALCULATION OF KEY FIGURES

Average personnel Average of the number of personnel at end of each month

Return on equity (%)

$$\frac{\text{Result for the period}}{\text{Equity (on average)}} \times 100$$

Return on capital employed (%)

$$\frac{\text{Result before taxes + interest charges and other financial costs}}{\text{Total liabilities – non-interest bearing debt (on average)}} \times 100$$

Return on net assets (%)

$$\frac{\text{Operating profit}}{\text{Property, plant, equipment and intangible assets – goodwill and deferred tax assets + inventory + receivables – current non-interest bearing debt (on average)}} \times 100$$

Equity ratio (%)

$$\frac{\text{Equity}}{\text{Total liabilities – received advance payments}} \times 100$$

Gearing (%)

$$\frac{\text{Interest-bearing debt – cash and cash equivalents}}{\text{Equity}} \times 100$$

Earnings per share

$$\frac{\text{Result for the period}}{\text{Weighted average number of shares outstanding}}$$

Equity per share

$$\frac{\text{Equity}}{\text{Number of shares outstanding at the end of period}}$$

Earnings per share, diluted

$$\frac{\text{Result for the period}}{\text{Weighted average number of shares outstanding, adjusted for the share issue}}$$

Auditor's report

TO THE ANNUAL GENERAL MEETING OF SALCOMP PLC

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Salcomp Plc for the financial period 1 January - 31 December 2009. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements or the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 11 February 2010

KPMG OY AB

Pauli Salminen
Authorized Public Accountant

Glossary

BLUETOOTH
An open standard for wireless communications between devices at close range.

CARBON FOOTPRINT
The impact on climate of a product, operation or service, i.e. the total amount of greenhouse gas emissions created during the life cycle of a product or operation.

CoC
European energy-efficiency standard (Code of Conduct on Efficiency of External Power Supplies).

EMC
Electro-Magnetic Compatibility; it ensures that different manufacturers' devices are compatible.

ENERGY STAR
ENERGY STAR is an international energy-efficiency labeling system and a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy. Its target is to protect the environment through energy-efficient products and practices.

GSMA
Global mobile phone sector organization (GSM Association).

ICT
Organization for Information and Communications Technology.

ODM SOLUTIONS
ODM product platforms feature Salcomp-specified and developed chargers that can be customized to meet the customer's particular needs (Original Design Manufacturer).

OEM SOLUTIONS
OEM products are chargers customized according to the customer's specific needs (Original Equipment Manufacturer).

OMTP
A forum created by mobile phone manufacturers and mobile network operators (Open Mobile Terminal Platform).

STAND-BY CONSUMPTION
Energy consumed by the device in stand-by mode.

SWITCH MODE CHARGER
Technologically more advanced, small, light and fast chargers for high-performance mobile phones.

USB
Universal Serial Bus is a serial bus architecture for the connection of peripherals to computers or other devices.

Information for investors

GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Salcomp Plc will be held on Wednesday, 24 March 2010, at Technopolis Ruoholahti, Hiilikatu 3, Helsinki. Each shareholder who is on the record date for the general meeting 12 March 2010, noted in the shareholders' register of the Company held by Euroclear Finland Ltd, has the right to participate in the general meeting.

A shareholder who wants to participate in the Annual General Meeting shall register for the meeting no later than 19 March 2010 at 4 p.m. (Finnish time) by giving a prior notice of participation. Such notice can be given:

- by e-mail to agm2010@salcomp.com;
- by telephone +358 46 572 2422;
- by telefax +358 201 875 450; or
- by regular mail to
  Salcomp Plc/AGM/Eevaleena Kiviaho
  P.O. Box 95, FI-24101 Salo, Finland

In connection with the registration, a shareholder shall notify his/her name, personal identification number, address, telephone number and the name of a possible assistant. The personal data given to Salcomp Plc is used only in connection with the Annual General Meeting and with the processing of related registrations.

Pursuant to Chapter 5, Section 25 of the Limited Liability Companies Act, a shareholder who is present at the Annual General Meeting has the right to request information with respect to the matters to be considered at the meeting.

Further information concerning the registration, proxy representative and powers of attorney, as well as registration of the holders of nominee registered shares is available at the Salcomp website www.salcomp.com.

PAYMENT OF DIVIDENDS

The Board proposes that no dividend for 2009 will be paid.

REPAYMENT OF CAPITAL

The Board of Directors will propose to the Annual General Meeting of Shareholders that repayment of capital of a total of EUR 2,728,263.3 and EUR 0.07 per share will be distributed to the shareholders from the Company's invested unrestricted equity. The repayment of capital will be paid to the Company's shareholders registered in the shareholders' register held by Euroclear Finland Ltd on the record date 29 March 2010.

FINANCIAL REPORTING 2010

Financial Statements Release 2009	11 February 2010
Annual Report 2009	week 10/2010
Annual General Meeting of Shareholders	24 March 2010
Interim Report for January–March 2010	18 May 2010
Interim Report for January–June 2010	12 August 2010
Interim Report for January–September 2010	11 November 2010

BASIC SHARE INFORMATION

Listed on: NASDAQ OMX, Helsinki
Ticker: SAL1V
List: the Main List
Sector: Industrials
ISIN code: FI0009013924
GICS code: 20104010

INVESTOR INFORMATION

The aim of the Investor Relations at Salcomp is to provide all capital market participants with regular and equal access to correct, sufficient and up-to-date information as a basis for the Salcomp share price.

Salcomp's website, www.salcomp.com, offers versatile investor information, such as financial reports, stock exchange and press releases, contact information of investment analysts following Salcomp, as well as the largest shareholders and the insiders of the company.

Salcomp has defined a silent period that covers the two weeks preceding the publication of its full-year result and interim reports. During this period, Salcomp will not meet with capital market representatives.

The Annual Report 2009 is published in pdf and Flash formats on Salcomp's website, www.salcomp.com – Investors – Publications and presentations.

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POWERING THE MOBILE WORLD

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